

CF Ruffer Pacific Fund

Consistent positive returns by investing in a diversified portfolio of Asia Pacific securities



September 2017 Issue 167

During the month, the fund fell by 1.9% compared to a 3.4% decrease in the FTSE Asia Pacific Index total return, adjusted for sterling.

The real investment story of the past year has been the performance of the internet stocks. According to analysis by one of our brokers, five stocks (Tencent, Samsung, Alibaba, TSMC, and AIA) have accounted for 30% of Asian market returns since the start of 2017¹. Not having them in the portfolio has been a missed opportunity for the fund, but it is not as if we are unbelievers in the business potential arising from growth in mobile data, e-commerce, mobile payments and the shared economy. Indeed, our investment in the under-performing China Mobile is predicated on the growth in mobile data consumption turning the company from no growth to some growth, while our investment in the Japanese company, Softbank gives us exposure to Alibaba at a discount of 50-60%, as well as a variety of other start-up Asian and global e-commerce businesses.

We, nonetheless, have a few concerns. The first is that institutional ownership is very high, in part, due to buying by valuation-agnostic ETFs, which leaves these stocks very vulnerable to a market correction. The second is that, in a sense, the easy revenue gains for these companies is over: Tencent now has over one billion active users, and Alibaba, 454 million². Their strategy is now centred around how to monetize and retain this customer base. In order to do so, they are straying into each other's territory, with Tencent introducing more e-commerce and Alibaba putting more of an emphasis on social media. These companies have a huge war chest of cash, and if ever more entertaining content is required to keep the attention of easily bored and potentially disloyal customers, we think costs are likely to start going up. Baidu, Alibaba and Tencent are also continually reporting new acquisitions, and we estimate they have spent anywhere from US\$50-100 billion³ over the past six years on mergers and acquisitions, (while only Tencent pays a very small dividend to shareholders). Some of these investments have not been so successful, judging by associate losses, impairments against investments, or follow-on capital raising. The tech giants are generating so much cash and profit of their own that the impact of these losses is relatively insignificant, but if a company in any other sector was spending its cash flow with such abandon, we doubt the market would be quite so relaxed.

Finally, we suspect that at some point, there is the risk of a regulatory backlash against tech companies in general, which we believe might affect sentiment to the sector, irrespective of where they are listed. Uber's London license is under threat, Amazon is under fire for EU VAT avoidance and, in China, Tencent has been criticized for 'addictive' games, Baidu has come under investigation for its medical advertisements, and China's censors now require Sina Weibo to identify all of its customers.

The other major activity this month has been the purchase of some three month put options, at a cost of approximately 0.5% of the fund's assets.

1 CLSA
2 Alibaba and Tencent company statements
3 Mergermarket, SCMP, company statements and accounts

The fund's prospectus and key investor information documents are provided in English and available on request or from www.ruffer.co.uk. Please note that CF Ruffer Investment Funds is a UK UCITS. The CF Ruffer Pacific Fund is not registered for distribution in any country other than the UK.

Investment objective

The investment objective of CF Ruffer Pacific Fund is to deliver consistent positive returns by investing in a diversified portfolio of predominantly Asia Pacific equities. The fund may also invest in fixed income securities, collective investment schemes, cash, money market instruments, other transferable securities and derivatives and forward transactions and other investments to the extent that each is permitted in the stated investment and borrowing powers of the Company, with the proportion of the sub-fund invested in each asset class varying over time in line with changes in the Investment Manager's view about their relative attraction and subject to the limitations on investments contained in the prospectus.

Performance since launch on 31 December 2003



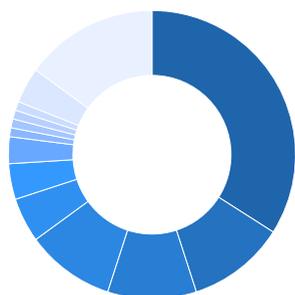
| Performance % | September 2017 | Year to date | 1 year | 3 years | 5 years | 10 years |
|---------------------------|----------------|--------------|---------------------------------------|---------|---------|----------|
| O accumulation shares | -1.9 | 7.5 | 3.8 | 30.3 | 74.7 | 131.0 |
| Percentage growth (O acc) | % | | Share price as at 29 September 2017 p | | | |
| 30 Sep 2016 – 30 Sep 2017 | 3.8 | | O accumulation 359.14 | | | |
| 30 Sep 2015 – 30 Sep 2016 | 22.3 | | C accumulation 365.05 | | | |
| 30 Sep 2014 – 30 Sep 2015 | 2.6 | | C income 102.64 | | | |
| 30 Sep 2013 – 30 Sep 2014 | 17.6 | | | | | |
| 30 Sep 2012 – 30 Sep 2013 | 14.1 | | | | | |

Source: Ruffer LLP, FTSE International (FTSE)†. The performance comparator has changed from the MSCI AC Asia Pacific to the FTSE Asia Pacific Index as Ruffer adopts FTSE as a data provider for all funds.

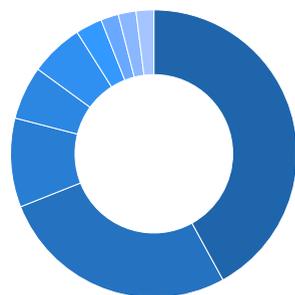
Ruffer performance is shown after deduction of all fees and management charges, and on the basis of income being reinvested. Past performance is not a guide to future performance. The value of the shares and the income from them can go down as well as up and you may not get back the full amount originally invested. The value of overseas investments will be influenced by the rate of exchange.

CF Ruffer Pacific Fund as at 29 September 2017

Portfolio structure



| Asset allocation | % | | % |
|-------------------------------|----|--------------------------|----|
| • China equities | 34 | • Indonesian equities | 1 |
| • Japan equities | 11 | • Philippines equities | 1 |
| • Sri Lanka equities | 10 | • North America equities | 1 |
| • Hong Kong equities | 10 | • Thailand equities | 1 |
| • Asia Pacific ex Japan funds | 5 | • Gold investments | 4 |
| • Singapore equities | 4 | • Cash | 15 |
| • Australia equities | 3 | | |



| Currency allocation | % | | % |
|---------------------|----|--------------------|---|
| • Sterling | 42 | • US dollar | 3 |
| • Hong Kong dollar | 27 | • Philippines peso | 2 |
| • Sri Lanka rupee | 10 | • Yen | 2 |
| • Australian dollar | 6 | • Other | 2 |
| • Singapore dollar | 6 | | |

10 largest of 66 equity holdings

| Stock | % of fund | Stock | % of fund |
|---------------------------------------|-----------|--------------------------|-----------|
| Evolution Mining | 3.3 | Softbank | 2.8 |
| Anta Sports Products | 3.2 | China Mobile | 2.6 |
| China Overseas Land & Investments | 3.0 | PICC Property & Casualty | 2.4 |
| Longfor Properties | 2.9 | Li Ning | 1.9 |
| Industrial & Commercial Bank of China | 2.8 | John Keells | 1.9 |

Source: Ruffer LLP

The views expressed in this report are not intended as an offer or solicitation for the purchase or sale of any investment or financial instrument. The views reflect the views of Ruffer LLP at the date of this document and, whilst the opinions stated are honestly held, they are not guarantees and should not be relied upon and may be subject to change without notice.

The information contained in this document does not constitute investment advice and should not be used as the basis of any investment decision. References to specific securities are included for the purposes of illustration only and should not be construed as a recommendation to buy or sell these securities. Ruffer LLP has not considered the suitability of this fund against any specific investor's needs and/or risk tolerance. If you are in any doubt, please speak to your financial adviser.

The fund data displayed is designed only to provide summary information and the report does not explain the risks involved in investing in the fund. Any decision to invest must be based solely on the information contained in the Prospectus, Key Investor Information Document and the latest report and accounts.

Fund size £389.5m

Fund information

| % | O class | C class |
|--------------------------|---|--|
| Ongoing Charges Figure* | 1.59 | 1.29 |
| Annual management charge | 1.5 | 1.2 |
| Maximum initial charge | 5.0 | 5.0 |
| Yield | 0.65 | 0.96 |
| Minimum investment | £1,000 | |
| Ex dividend dates | 15 Mar, 15 Sep | |
| Pay dates | 15 May, 15 Nov | |
| Dealing | Weekly forward to 10am Wednesday, based on NAV Plus forward from 10am on last Wednesday of the month to last business day of the month | |
| Share classes | Accumulation only | |
| | O class | C class |
| ISIN | GB0034035328 (acc) | GB00B8BZHC05 (acc) GB00B7GW0G44 (inc) |
| SEDOL | 3403532 (acc) | B8BZHC0 (acc) B7GW0G4 (inc) |
| Investment adviser | Ruffer LLP | |
| Sub advisor | Ruffer (Asia) Limited | |
| ACD | Capita Financial Managers Limited | |
| Depository | BNY Mellon Trust & Depository (UK) Limited | |
| Auditors | Grant Thornton UK LLP | |
| Structure | Sub-fund of CF Ruffer Investment Funds (OEIC) UK domiciled UCITS Eligible for ISAs | |

* Refers to accumulation shares

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Fund Manager

Mary McBain
INVESTMENT DIRECTOR



After graduating from Oxford University in 1985, started work at Invesco MIM as a fund manager on the Asian team. After leaving Invesco in 1990, she spent many years living and working in Asia, for GK Goh Securities, Apollo Investment Management and Ballingal Investment Advisors. She joined Ruffer in 2006 and manages the CF Ruffer Pacific Fund.

Ruffer LLP

Ruffer LLP manages investments on a discretionary basis for private clients, trusts, charities and pension funds. As at 30 September 2017, assets managed by the Ruffer Group exceeded £21.7bn, of which over £12.9bn was managed in open-ended Ruffer funds.

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