

LF Ruffer Pacific Fund

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



January 2018 Issue 171

During the month, the fund increased by 3.5% compared to a rise of 0.5% in the FTSE Asia Pacific TR Index adjusted for sterling. Chinese property developers and financials were key drivers of performance.

We visited Indonesia in January to gauge the progress on reform, and to assess the mood around consumption and investment. We have had a low weighting in Indonesia for some time and our view on the country remains relatively conservative. Despite a host of favourable conditions, such as low inflation (3.25%), low unemployment (5.5%) and wage gains, increased infrastructure spending, a stable rupiah, higher commodity prices, lower borrowing costs, and an all-time high consumer confidence index, the economy is surprisingly not improving, with consumption particularly weak.

There are numerous drivers of the sluggish consumption trends. Amongst the lower income groups, fuel and electricity subsidy cuts and a lower annual increase in the minimum wage has reduced their disposable income. 40% of the population is still at, or below, the national poverty line and their purchasing power is highly dependent on subsidies. Equally, the stricter enforcement of tax collection following the tax amnesty and the political uncertainty due to the Jakarta gubernatorial elections has weighed on the consumption of higher-income households.

In terms of the investment environment, public investment spending has been booming, but private investment remains muted. The national elections in 2019 have engendered cautiousness in business circles, with fears the government could be distracted from reforms, while a shift to more populist policies could pose some risk to the investment climate and preclude sovereign rating upgrades. With 87% of the population being Muslim, Indonesia has built a reputation as a tolerant and diverse nation, but the recent blasphemy conviction against the former governor of Jakarta, who is a Christian, is the latest example of the country's growing religious tensions. This has put a severe chill over investment from the Christian and Chinese communities who dominate the business community (10% of the population, with 70% of the wealth). This is also the reason why corporates are not spending. Despite monetary policy easing 200 bps since 2016 and investment picking up rapidly in 2017, bank credit growth is still weak, and is even slower than GDP growth in 2017. With Prime Minister Jokowi in a hurry to reform and state-owned enterprises the easiest to mobilise, it is not surprising that it is these enterprises receiving all the resources and crowding out local loan demand.

Along with the litany of issues, slowing consumption and private investment, there appear to be more prosaic factors at work, including delayed transmission of monetary policy and data mismeasurement. This can be attributed to the shift of the Lebaran period and the lack of data in consumption of services.

Looking ahead, the government has set a higher energy subsidy budget for 2018, which is a positive signal for low-end consumption. Elections are coming up, and with Prime Minister Jokowi as the front runner, it is very likely he will be re-elected. This is positive for reforms, including cutting red tape, boosting infrastructure spending, and encouraging foreign investment. The fund plans to look for opportunities in the consumer discretionary sector, particularly amongst the lower end retailers, who could benefit from the recovery of spending from the lower income groups.

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 LF Ruffer Investment Funds is a UK UCITS. The LF Ruffer Pacific Fund is not registered for distribution in any country other than the UK.

Investment objective

The investment objective of LF 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



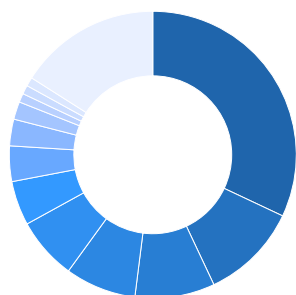
Performance %	January 2018	Year to date	1 year	3 years	5 years	10 years	
O accumulation shares	3.5	3.5	11.6	29.1	63.3	153.6	
Percentage growth (O acc)	%		Share price as at 31 January 2018				p
31 Dec 2016 – 31 Dec 2017	9.9		O accumulation				379.84
31 Dec 2015 – 31 Dec 2016	10.6		C accumulation				386.48
31 Dec 2014 – 31 Dec 2015	4.9		C income				108.67
31 Dec 2013 – 31 Dec 2014	16.7						
31 Dec 2012 – 31 Dec 2013	13.8						

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.

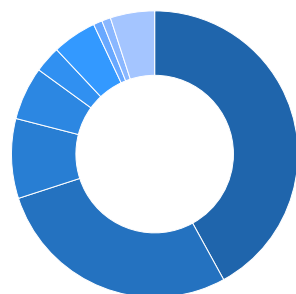
Ruffer performance is shown after deduction of all fees and management charges, and on the basis of income being reinvested. Past performance is not a guide to future performance. The value of the shares and the income from them can go down as well as up and you may not get back the full amount originally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

LF Ruffer Pacific Fund as at 31 January 2018

Portfolio structure



Asset allocation	%		%
• China equities	32	• Singapore equities	3
• Japan equities	11	• Australia equities	2
• Hong Kong equities	9	• Indonesian equities	1
• Sri Lanka equities	8	• Philippines equities	1
• Asia Pacific ex Japan funds	7	• North America equities	1
• Gold investments	5	• Cash	16
• Thailand equities	4		



Currency allocation	%		%
• Sterling	42	• Singapore dollar	5
• Hong Kong dollar	28	• Philippines peso	1
• Sri Lanka rupee	9	• Yen	1
• Australian dollar	6	• Other	5
• US dollar	3		

10 largest of 68 equity holdings

Stock	% of fund	Stock	% of fund
Evolution Mining	3.7	PICC Property & Casualty	2.4
Longfor Properties	3.2	Anta Sports Products	2.4
Industrial & Commercial Bank of China	3.1	China Mobile	2.3
China Overseas Land & Investments	3.0	VinaCapital Vietnam	2.1
Softbank	2.4	Dragon Capital Group Vietnam Enterprise	2.0

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 £436.2m

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	0.61	0.90
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	Link Fund Solutions Limited	
Depository	The Bank of New York Mellon (International) Limited	
Auditors	Grant Thornton UK LLP	
Structure	Sub-fund of LF 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 LF Ruffer Pacific Fund.

Ruffer LLP

Ruffer LLP manages investments on a discretionary basis for private clients, trusts, charities and pension funds. As at 31 January 2018, assets managed by the Ruffer Group exceeded £22.7bn, of which over £14.0bn was managed in open-ended Ruffer funds.

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