

LF Ruffer Pacific Fund

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



February 2018 Issue 172

During the month, the fund fell by 2.8% compared to a fall of 0.3% in the FTSE Asia Pacific Total Return Index, adjusted for sterling. Hong Kong, which is the largest market in Asia and the fund's largest geographic allocation, fell by 5.5% in local currency, which dragged down performance.

In the first two weeks of the month, the US stock market correction triggered an equally sharp sell-off in Asia, with Hong Kong's Hang Seng Index, for example, falling by 10.4%. Although Asian markets are not over-valued in the way the US equity market arguably is, this reaction was not surprising, since Asia and emerging markets have generally benefited from huge fund inflows, primarily from offshore exchange-traded funds. Retail investors have also been enthusiastic market participants of late, but in the face of the sharp sell-off on Wall Street, there was a stampede for the exit ahead of the market closure around the Chinese New Year holidays, possibly exacerbated by margin calls. 'Southbound' purchases (ie from the mainland) through the Hong Kong Stock Connect have been growing in importance in Hong Kong, but this source of buying slowed with the week-long Chinese New Year holiday approaching. Due to the strength of the market in the two months leading up to this fall, our put options were less effective in this scenario, and despite rising in value by over 40x, this was not nearly enough to offset the fall in equity values. Had the market continued to fall, their protective quality would have been more obvious.

Since bottoming on 12 February, the markets have recovered slightly less than half of their losses. While superficially it looks as if it is back to 'business as usual', we are inclined to see last month's correction as a salutary reminder of what could unfold if we get a steep and/or prolonged equity sell-off in the US, and there are many reasons to think this might happen: high valuations, unwinding quantitative easing during a time when the fiscal deficit is expanding, high corporate indebtedness, and very high margin positions, to name a few. Accordingly, we will continue to manage the portfolio in a defensive way, with a relatively high cash position and some put protection, even if this is costly in the short-term. We are choosing to invest in companies which we think have defensive characteristics, and can withstand slower growth and higher interest rates. In our interpretation, 'defensive' could range from a company trading below book value, with a strong balance sheet and a high dividend yield, to a more levered, high growth company which has a technology or niche which is not going to be derailed by a savage market downturn. We would also note that even in a higher inflation, higher interest rate environment, most of our companies with debt are currently already paying quite high rates of interest and are not going to see their earnings greatly impacted by US yields moving higher.

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 %	February 2018	Year to date	1 year	3 years	5 years	10 years	
O accumulation shares	-2.8	0.6	6.6	24.1	51.3	134.6	
Percentage growth (O acc)	%		Share price as at 28 February 2018				p
31 Dec 2016 – 31 Dec 2017	9.9		O accumulation				369.33
31 Dec 2015 – 31 Dec 2016	10.6		C accumulation				375.87
31 Dec 2014 – 31 Dec 2015	4.9		C income				105.69
31 Dec 2013 – 31 Dec 2014	16.7						
31 Dec 2012 – 31 Dec 2013	13.8						

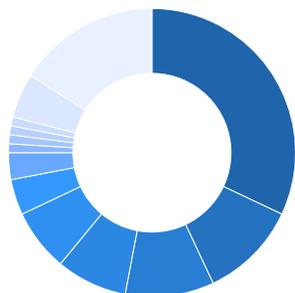
Source: Ruffer LLP, FTSE International (FTSE)†. The performance comparator has changed from the MSCI AC Asia Pacific to the FTSE Asia Pacific Index as Ruffer adopts FTSE as a data provider for all funds.

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.

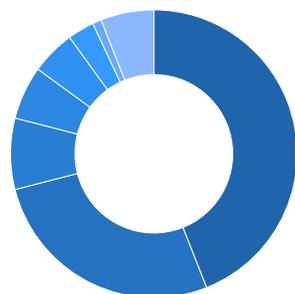
Ruffer performance is shown after deduction of all fees and management charges, and on the basis of income being reinvested. Past performance is not a guide to future performance. The value of the shares and the income from them can go down as well as up and you may not get back the full amount originally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

LF Ruffer Pacific Fund as at 28 February 2018

Portfolio structure



Asset allocation	%		%
• China equities	32	• Australia equities	1
• Japan equities	11	• Indonesian equities	1
• Hong Kong equities	10	• North America equities	1
• Sri Lanka equities	8	• Philippines equities	1
• Asia Pacific ex Japan funds	7	• Gold investments	5
• Thailand equities	4	• Cash	16
• Singapore equities	3		



Currency allocation	%		%
• Sterling	44	• Singapore dollar	5
• Hong Kong dollar	27	• US dollar	3
• Sri Lanka rupee	8	• Philippines peso	1
• Australian dollar	6	• Other	6

10 largest of 69 equity holdings

Stock	% of fund	Stock	% of fund
Evolution Mining	3.8	Anta Sports Products	2.5
Longfor Properties	3.0	PICC Property & Casualty	2.4
Industrial & Commercial Bank of China	3.0	China Mobile	2.1
China Overseas Land & Investments	2.9	VinaCapital Vietnam	2.1
Softbank	2.6	Swire Pacific	2.1

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 £420.9m

Fund information

%	O class	C class
Ongoing Charges Figure*	1.58	1.28
Annual management charge	1.5	1.2
Maximum initial charge	5.0	5.0
Yield	0.63	0.93
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 28 February 2018, assets managed by the Ruffer Group exceeded £22.5bn, of which over £13.8bn was managed in open-ended Ruffer funds.

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