

LF Ruffer Pacific Fund

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



May 2018 Issue 175

During the month, the fund fell by 0.5% compared to the FTSE Asia Pacific Total Return Index which fell 1.2% in dollar terms and rose 2.3%, adjusted for sterling.

Fears of an escalation in the trade dispute between the US and China, combined with a second month of strong US dollar appreciation weighed on performance in Asia. We visited Sri Lanka this month to gauge the progress on structural reform and meet the companies that make up 9% of the fund's assets.

Ever since the civil war ended in 2009, Sri Lanka's ideologically somewhat-to-the-left policymakers have faced a series of dilemmas. Despite a potential to grow by 5-6% a year, its post war legacy included a chronic lack of investment, high government and external debt, low tourism numbers, inefficient and indebted state-owned enterprises (SOE), and a limited ability to generate export earnings. With a relatively small, ageing, and well-educated population of 20 million, its workers are substantially more expensive than neighbouring India, Pakistan and Bangladesh.

The vision for Sri Lanka is to become like Singapore, a regional financial, commercial and trading centre, with a high standard of living, good transport links and high environmental standards. Necessity in the form of a need for dollars has driven the country into the arms of China's One Belt One Road (OBOR) programme. Foreign Direct Investment (FDI) of US\$2bn last year, likely reaching US\$2.5bn this year, was the highest in many years. As well as ports and highways, the Chinese are proposing building liquefied natural gas (LNG), cement and steel plants, a refinery, a ship repair facility, and will invest US\$5bn to set up an industrial park. This seems to have galvanised India and Japan to propose infrastructure and industrial park investments of their own. Sri Lanka is fortuitous in having duty free access to the EU under the Generalised Scheme of Preferences Plus, while free trade agreements with India, China, Singapore and Pakistan are either signed or about to be. Once the infrastructure is in place, this first wave of FDI will very likely bring in more.

Real GDP growth in 2017 was a disappointing 3.1%, due to a very severe drought followed by floods. Although agriculture is only 7-8% of GDP, it employs 28% of the workforce. Poor harvests inevitably having knock-on effects, the government made additional disbursements which increased the fiscal deficit to 5.5%. Through a combination of higher VAT and corporate tax, Sri Lanka has increased tax proceeds from just 12% of GDP in 2015 to 15% in 2017. The fiscal and current account positions are expected to improve as growth rebounds to 4.5% in 2018. Finally, monetary conditions are very tight, with real interest rates in the region of 6-7%.

Unemployment is low and the government acknowledges the need to allow more immigration on both ends of the labour market. The construction industry is already importing labour, mostly Chinese, and hospital operators, hoteliers and retail chains are close to also needing foreign labour. The government is also proposing raising the retirement age and improving female participation, which despite the very high female literacy levels, still only remains at 36%.

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 %	May 2018	Year to date	1 year	3 years	5 years	10 years
O accumulation shares	-0.5	0.6	5.6	6.1	50.3	130.6
Percentage growth (O acc)		%				
31 Mar 2017 – 31 Mar 2018		6.5				
31 Mar 2016 – 31 Mar 2017		15.9				
31 Mar 2015 – 31 Mar 2016		-5.6				
31 Mar 2014 – 31 Mar 2015		25.2				
31 Mar 2013 – 31 Mar 2014		2.6				

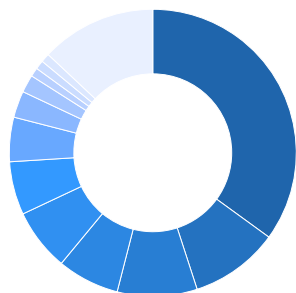
Source: Ruffer LLP, FTSE International (FTSE)†. The performance comparator has changed from the MSCI AC Asia Pacific to the FTSE Asia Pacific Index as Ruffer adopts FTSE as a data provider for all funds.

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.

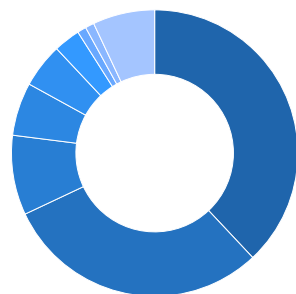
The fund's prospectus and key investor information documents are provided in English and available on request or from www.ruffer.co.uk. Please note that LF Ruffer Investment Funds is a UK UCITS. The LF Ruffer Pacific Fund is not registered for distribution in any country other than the UK.

LF Ruffer Pacific Fund as at 31 May 2018

Portfolio structure



Asset allocation	%		%
• China equities	35	• Singapore equities	3
• Hong Kong equities	10	• Indonesian equities	2
• Sri Lanka equities	9	• North America equities	1
• Asia Pacific ex Japan funds	7	• Philippines equities	1
• Japan equities	7	• Australia equities	1
• Gold investments	6	• Cash	13
• Thailand equities	5		



Currency allocation	%		%
• Sterling	38	• US dollar	3
• Hong Kong dollar	30	• Philippines peso	1
• Sri Lanka rupee	9	• Yen	1
• Australian dollar	6	• Other	7
• Singapore dollar	5		

10 largest of 65 equity holdings

Stock	% of fund	Stock	% of fund
Evolution Mining	4.8	Swire Pacific	2.8
Longfor Properties	3.5	Li Ning	2.6
Anta Sports Products	3.4	Softbank	2.5
Industrial & Commercial Bank of China	3.2	PICC Property & Casualty	2.4
China Overseas Land & Investments	3.1	China Mobile	2.3

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 £386.7m

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

† © FTSE 2018. 'FTSE®' is a trade mark of London Stock Exchange Group companies and is used by FTSE under licence. All rights in the FTSE Data vest in FTSE and/or its licensors.

Neither FTSE nor its licensors accept any liability in relation to the FTSE Data data. No further distribution of FTSE Data is permitted without FTSE's express written consent.

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 May 2018, assets managed by the Ruffer Group exceeded £22.4bn, of which over £14.1bn was managed in open-ended Ruffer funds.

Enquiries

Ruffer LLP +44 (0)20 7963 8254
80 Victoria Street rif@ruffer.co.uk
London
SW1E 5JL www.ruffer.co.uk

Dealing line

0345 601 9610

Issued by Ruffer LLP, 80 Victoria Street, London SW1E 5JL.
Ruffer LLP is authorised and regulated by the Financial Conduct Authority. © Ruffer LLP 2018