

# LF Ruffer Pacific & Emerging Markets

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



August 2018 Issue 178

During August, the fund fell by 1.8% compared to the 0.2% decline in the FTSE All World Asia Pacific ex Japan Index and a 2.4% decline in the FTSE Emerging Index, both adjusted for sterling. Emerging market fears intensified with a worsening US dollar squeeze faced by weak links such as Argentina and Turkey. In Asia, China weakness continued, with FTSE China falling 2.7%, as a US-China trade war overhang persisted with further deceleration in fixed asset investment.

China's technology stocks performed especially poorly, falling 5.1% in August and 13.8% year to date. Wanting to sift through the rubble for potential gems, and to better understand the long-term investment implications of China's wave of home-grown innovation, we travelled to Beijing to meet with a variety of technology companies and industry experts. Technology and the internet have played a major role in China's transition to a consumption and service-led economy, but how will these innovation-driven businesses stay relevant to ensure secular staying power?

For many e-commerce businesses serving China, the emergence of a plethora of consumer touch points are pushing them to rethink retail strategies across physical, social, artificial intelligence (AI), and 'internet of things' (IoT) commerce. As JD.com puts it, retail is increasingly an exercise in 'providing the right products to the right customers in the right settings and at the right time'. Serving what used to be a mass market – and the world's most populous one – is becoming serving the market of one. The winners in this transition will be those who cannot only manage a decentralised retail model, but also deploy the necessary supply chain and logistics changes to meet dynamic planning, pricing and inventory requirements.

Although AI is still a relatively new word to investors, a favourable regulatory environment in China has given its businesses a meaningful advantage in deploying, and now, monetising AI. For Baidu, AI-powered advertising innovations include dynamic recommendations, customised store pages and augmented reality enabled video advertisements. For China's FinTech industry, applications in loan and insurance underwriting, risk management and AI-as-a-service are all opportunities directing future investments.

Lastly, technology continues to transform old industries like manufacturing. 'Industry 4.0', widely referred to as the fourth industrial revolution, describes the automation and data exchange in manufacturing technologies. China's Ministry of Industry and Information Technology published detailed plans in 2017 for the formation of an industrial IoT ecosystem, as part of a national scheme to improve manufacturing through adoption of open source platforms that allow data sharing and analysis from different parts of a business. With industry forecasts of \$800bn in value by 2020, there is significant growth runway for infrastructure and application software vendors. Our Chinasoft holding capitalises on this thesis, and we continue to look for names to increase exposure to this theme. For investors, technological innovation can either promise great profits, or the risk of losing it all to uncertain regulations and unproven business models. As such, we remain vigilant in trying to separate boom-and-bust speculation from sustainable winners.

The fund's prospectus and key investor information documents are provided in English and available on request or from [www.ruffer.co.uk](http://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 & Emerging Markets Fund is to achieve consistent positive returns (net of fees) over a five-year rolling period. The fund will aim to achieve the investment objective by investing in an actively managed portfolio comprising of at least 70% in equities and equity related securities of companies listed, quoted or traded in the Asia Pacific region or Emerging Market countries. The fund will retain an Asia Pacific bias. Under normal circumstances, non-Asian emerging markets will account for not less than 10% and not more than 35% of the fund's investments.

## Performance since launch on 31 December 2003



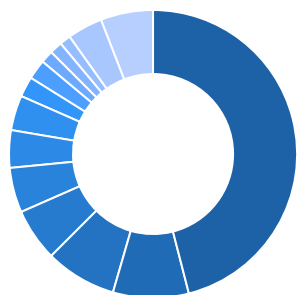
Performance %	August 2018	Year to date	1 year	3 years	5 years	10 years
O accumulation shares	-1.8	-3.9	-3.6	23.1	50.1	141.2
<b>Percentage growth (O acc)</b>	<b>%</b>		<b>Share price as at 31 August 2018</b>			
30 Jun 2017 – 30 Jun 2018	1.0		<b>O accumulation</b>			
30 Jun 2016 – 30 Jun 2017	13.9		<b>C accumulation</b>			
30 Jun 2015 – 30 Jun 2016	-5.0		<b>C income</b>			
30 Jun 2014 – 30 Jun 2015	27.1					
30 Jun 2013 – 30 Jun 2014	11.0					

Source: Ruffer LLP, FTSE International (FTSE)†. In July 2018, the LF Ruffer Pacific Fund (RPF) changed its name to the LF Ruffer Pacific & Emerging Markets Fund (RPE) and the investment objective was amended accordingly. Statistics, including performance, for any period prior to 6 July 2018 reflect that of RPF.

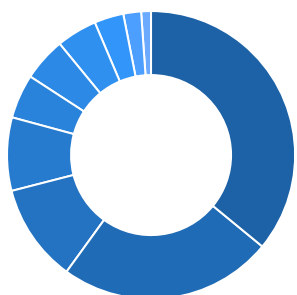
Ruffer performance is shown after deduction of all fees and management charges, and on the basis of income being reinvested. Past performance is not a guide to future performance. The value of the shares and the income from them can go down as well as up and you may not get back the full amount originally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

# LF Ruffer Pacific & Emerging Markets as at 31 Aug 2018

## Portfolio structure



Asset allocation	%		%
• Hong Kong and China	45.9	• Singapore equities	2.3
• Sri Lanka equities	8.5	• Indonesian equities	2.2
• Japan equities	8.0	• Australia equities	1.6
• Thailand equities	5.9	• Brazil equities	1.4
• Gold investments	5.1	• Philippines equities	1.2
• Asia Pacific ex Japan	4.3	• Other	4.0
• Mexico equities	3.8	• Cash	5.8



Currency allocation	%		%
• Sterling	35.9	• Singapore dollar	4.5
• Hong Kong dollar	24.1	• Australian dollar	3.2
• Other	10.9	• Yen	2.0
• Sri Lanka rupee	8.3	• Philippines peso	1.2
• Gold	5.0		
• US dollar	4.9		

## 10 largest of 80 equity holdings

Stock	% of fund	Stock	% of fund
Softbank	3.3	China Mobile	2.5
Longfor Properties	3.3	Anta Sports Products	2.4
Swire Pacific	3.2	PICC Property & Casualty	2.4
China Overseas Land & Investments	3.0	Li Ning	2.4
Industrial & Commercial Bank of China	2.9	Vinacapital Vietnam	2.2

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 £397.9m

## 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	0.66	0.97
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	

	O class	C class
ISIN	GB0034035328 (acc)	GB00B8BZHCO5 (acc) GB00B7GWOG44 (inc)
SEDOL	3403532 (acc)	B8BZHCO (acc) B7GWOG4 (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 Ernst & Young 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 July 2018, assets managed by the Ruffer Group exceeded £22.4bn.

## Dealing line

0345 601 9610

## Enquiries

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

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