

LF Ruffer Pacific & Emerging Markets

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



September 2018 Issue 179

During the month, the fund fell by 1.3% which compares to a 1.6% fall in the FTSE All World Asia ex Japan Index and a 0.9% fall in the FTSE Emerging Index, both adjusted for sterling. Performance was primarily driven by continued weakness in Chinese stocks, due in a large part to further trade war escalation.

The Indian market has been one of the better performers in Asia this year, although this has been offset by a 12% drop in the rupee against the dollar. There will be a general election in India next year and the most likely outcome at the moment is that Prime Minister Modi's Bharatiya Janata Party will lose its outright majority, the first in India since 1977. Modi's critics would claim that he has failed to take full advantage of both this majority and the benign economic environment he inherited (India was a particular beneficiary of the steep fall in the oil price), but there have been some important reforms over the past four years, even if they did not go far enough or were ineptly introduced. One of the key reforms has been the harmonisation of GST (goods and services tax). Prior to this each state charged its own tariffs resulting in high cost, cumbersome paperwork and time wasted at state borders just to move goods around the country.

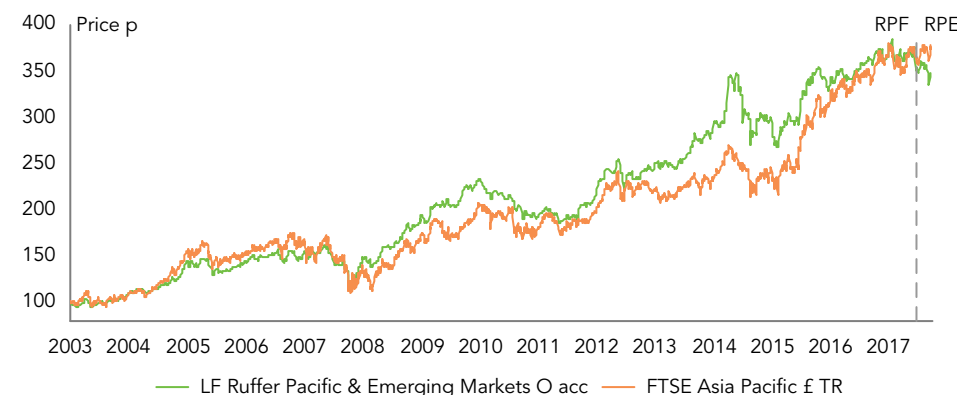
We believe the Indian market is very expensive but one area which could turn out to be unexpectedly strong is e-commerce. There is a large rural population in India and logistics are very poor, accounting for 13-14% of GDP, compared to around 7-8% in a more advanced economy. The GST reform has removed at least one obstacle to e-commerce and the 'aadhar' system, introduced by the previous Congress Party-led government, has given a unique biometric digital identity to over 1.2bn Indians. As a result more people now have bank accounts and many more transactions are taking place online. In addition, smartphone costs have come down sufficiently to make them affordable, and smartphone penetration is now nearly 50% of the population. Meanwhile, the government has been spending huge sums on improving the road and railway network and while it is still a long way from perfect, we think conditions are now much more supportive to e-commerce. Finally, about 90% of retail is still unorganised, so there will be limited competition from entrenched retail chains.

Most of the e-commerce is in private companies so the only exposure we have to this is through our investment in SoftBank. SoftBank has a stake in the Indian mobile wallet, Paytm, as well as an interest in OYO (hospitality) and Ola Cabs (taxis). However it recently sold its Flipkart (e-commerce) stake to Walmart and it may ultimately have to write down its investment in Snapdeal (another e-commerce site). Whilst there is plenty of competition in all these segments from other tech start-ups, and it is still unclear who the long-term winners will be, we remain positive on the outlook.

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



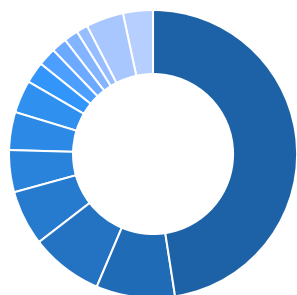
| Performance % | September 2018 | Year to date | 1 year | 3 years | 5 years | 10 years | |
|----------------------------------|----------------|--------------|--|---------|---------|----------|---------------|
| O accumulation shares | | -1.3 | -5.2 | -3.0 | 23.2 | 48.6 | 158.6 |
| Percentage growth (O acc) | | % | Share price as at 28 September 2018 | | | | p |
| 30 Sep 2017 – 30 Sep 2018 | | -3.0 | O accumulation | | | | 348.26 |
| 30 Sep 2016 – 30 Sep 2017 | | 3.8 | C accumulation | | | | 355.07 |
| 30 Sep 2015 – 30 Sep 2016 | | 22.3 | C income | | | | 98.86 |
| 30 Sep 2014 – 30 Sep 2015 | | 2.6 | | | | | |
| 30 Sep 2013 – 30 Sep 2014 | | 17.6 | | | | | |

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.

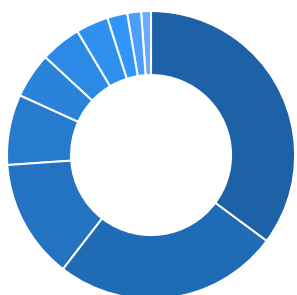
Ruffer performance is shown after deduction of all fees and management charges, and on the basis of income being reinvested. Past performance is not a guide to future performance. The value of the shares and the income from them can go down as well as up and you may not get back the full amount originally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

LF Ruffer Pacific & Emerging Markets as at 28 Sep 2018

Portfolio structure



| Asset allocation | % | | % |
|-------------------------|------|------------------------|-----|
| • Hong Kong and China | 47.5 | • Singapore equities | 2.4 |
| • Japan equities | 8.8 | • Indonesian equities | 2.1 |
| • Sri Lanka equities | 8.1 | • Australia equities | 1.7 |
| • Thailand equities | 6.3 | • Brazil equities | 1.5 |
| • Asia Pacific ex Japan | 4.7 | • Philippines equities | 1.2 |
| • Mexico equities | 4.2 | • Other | 4.3 |
| • Gold investments | 3.8 | • Cash | 3.4 |



| Currency allocation | % | | % |
|---------------------|------|---------------------|------|
| • Sterling | 35.1 | • Yen | 2.1 |
| • Hong Kong dollar | 25.4 | • Australian dollar | 1.6 |
| • Sri Lanka rupee | 7.8 | • Philippines peso | 1.1 |
| • US dollar | 5.1 | • Other | 13.4 |
| • Singapore dollar | 4.6 | | |
| • Gold | 3.7 | | |

10 largest of 79 equity holdings

| Stock | % of fund | Stock | % of fund |
|---------------------------------------|-----------|-----------------------------|-----------|
| Softbank | 3.8 | China Mobile | 2.7 |
| Longfor Properties | 3.2 | PICC Property & Casualty | 2.6 |
| Swire Pacific | 3.2 | Zhuzhou CRRC Times Electric | 2.4 |
| China Overseas Land & Investments | 3.1 | Vinacapital Vietnam | 2.4 |
| Industrial & Commercial Bank of China | 3.1 | Dragon Capital Group | 2.3 |

Source: Ruffer LLP. Pie chart totals may not equal 100 due to rounding.

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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 £379.7m

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 | 0.67 | 0.98 |
| 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) | GB00B8BZHC05 (acc) GB00B7GW0G44 (inc) |
| SEDOL | 3403532 (acc) | B8BZHCO (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 Ernst & Young LLP

Structure Sub-fund of LF Ruffer Investment Funds (OEIC)
UK domiciled UCITS
Eligible for ISAs

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 August 2018, assets managed by the Ruffer Group exceeded £22.1bn.

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*Refers to accumulation shares

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