

LF Ruffer Pacific & Emerging Markets

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



October 2018 Issue 180

During the month, the fund fell by 5.4% compared to a 10.3% fall in the FTSE All World Asia Pacific ex Japan Index and a 7.6% fall in the FTSE Emerging Index, both adjusted for sterling. October was a brutal month for Asian equities, particularly Hong Kong and China, as the trade war rhetoric showed no signs of resolution. Markets were not helped by stories suggesting that the controllers of many private sector listed stocks in China had used their shares as collateral, forcing lenders to sell. We have reviewed many of our positions, following the announcement of third quarter results, and we found that many now have valuations which compare with the lows found after the 2008 financial crisis. This we believe, is discounting a very severe outcome indeed.

Our main activity during the month was to raise our holding in Vietnam. We have not bought Vietnamese stocks directly, because there are listed Vietnamese funds which trade at a discount of 15-20% to their underlying holdings. Vietnam's currency and stockmarket have been relatively resilient, making Vietnam something of a safe haven in Asia and emerging markets. However, the recent nervousness about emerging markets meant that at the worst point in October, the Vietnamese funds were down 12.5% from their peak earlier in the year, with a widened discount.

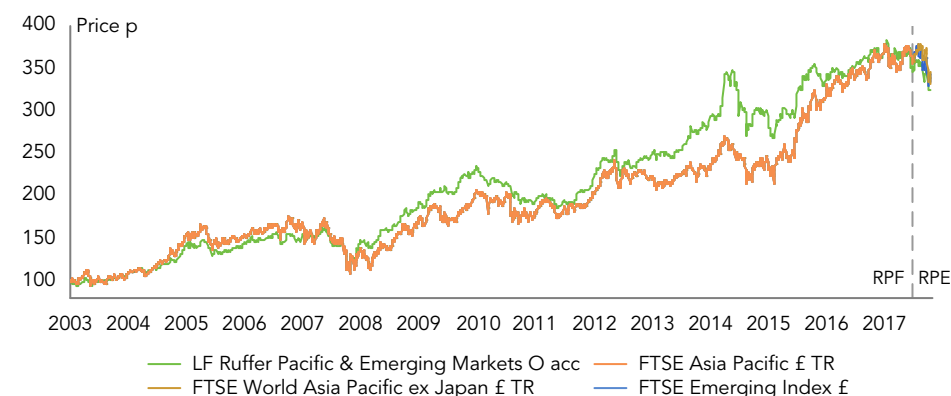
One reason why Vietnam has been outperforming is that its economy is in a much better place than many other emerging markets. Vietnam is expected to achieve 7% real GDP growth in 2018, with 4% inflation. Foreign direct investment (FDI) and the current account combined are 13% of gross domestic product (GDP). It has no major economic imbalances, it is not impacted much by a China slowdown, and is actually a beneficiary of the US-China trade war. The US sources 60% of its tech from China and only 2% from Vietnam, and there is no intellectual property risk in Vietnam at this stage. In addition, although tech goods (primarily Samsung smartphones) are a third of Vietnam's exports, only c 10% of them go to the US. The government is doing a better job with more prudent policies around banks and property developers and a focus on FX reserves. Longer term, Vietnam is supported by urbanisation, demographics and industrialisation, with FDI funding and export growth.

Manufacturing is 16% of GDP officially, but growing at 10% a year, and 12.7% year on year in the first nine months of 2018. Manufacturing is likely to reach 30% of GDP, if Vietnam follows the pattern of the Asian Tigers. Exports are 100% of GDP, and have grown by 17% a year between 2012 and 2017. FDI inflows are funding this, accounting for 8% of GDP in 2017, much higher than any other emerging market. High tech exports have gone from c5% of GDP in 2007 to nearly 40% now, with half of Samsung's smartphones being made in Vietnam, and other brands are moving there too. Finally wages are around a third of China, approximately US\$4,000 a year, but the basic educational level in Vietnam being very high.

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 %	October 2018	Year to date	1 year	3 years	5 years	10 years
O accumulation shares	-5.4	-10.2	-11.3	9.2	34.4	176.0
Percentage growth (O acc)	%		Share price as at 31 October 2018			
30 Sep 2017 – 30 Sep 2018	-3.0		O accumulation			
30 Sep 2016 – 30 Sep 2017	3.8		C accumulation			
30 Sep 2015 – 30 Sep 2016	22.3		C income			
30 Sep 2014 – 30 Sep 2015	2.6					
30 Sep 2013 – 30 Sep 2014	17.6					

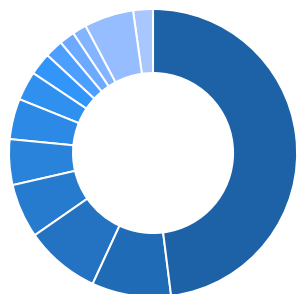
Source: Ruffer LLP, FTSE International (FTSE)†. In July 2018, the LF Ruffer Pacific Fund (RPF) changed its name to the LF Ruffer Pacific & Emerging Markets Fund (RPE) and the investment objective was amended accordingly. Statistics, including performance, for any period prior to 6 July 2018 reflect that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

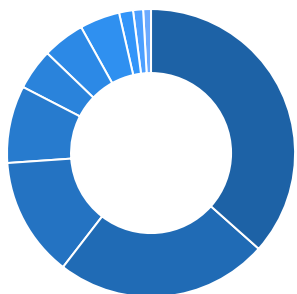
The fund's prospectus and key investor information documents are provided in English and available on request or from www.ruffer.co.uk. Please note that LF Ruffer Investment Funds is a UK UCITS. The LF Ruffer Pacific Fund is not registered for distribution in any country other than the UK.

LF Ruffer Pacific & Emerging Markets as at 31 Oct 2018

Portfolio structure



Asset allocation	%		%
• Hong Kong and China	47.9	• Singapore equities	2.5
• Sri Lanka equities	9.0	• Brazil equities	1.9
• Japan equities	8.3	• Indonesian equities	1.8
• Thailand equities	6.1	• Australia equities	1.6
• Asia Pacific ex Japan	5.2	• Other	5.4
• Gold investments	4.5	• Cash	2.3
• Mexico equities	3.4		



Currency allocation	%		%
• Sterling	36.6	• Australian dollar	1.6
• Hong Kong dollar	23.9	• Philippines peso	1.2
• Sri Lanka rupee	8.7	• Yen	0.9
• US dollar	4.8	• Other	13.3
• Singapore dollar	4.7		
• Gold	4.3		

10 largest of 80 equity holdings

Stock	% of fund	Stock	% of fund
China Overseas Land & Investments	3.4	Vinacapital Vietnam	2.9
Longfor Properties	3.3	China Mobile	2.8
Swire Pacific	3.3	Zhuzhou CRRC Times Electric	2.4
Softbank	3.3	Li Ning	2.4
Industrial & Commercial Bank of China	3.1	PICC Property & Casualty	2.3

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

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 **£358.7m**

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	0.62	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)	GB00B8BZHCO5 (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

*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 30 September 2018, assets managed by the Ruffer Group exceeded £21.8bn.

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