

LF Ruffer Pacific & Emerging Markets

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



November 2018 Issue 181

From 2019 we will be producing this report on a quarterly rather than monthly basis. During the month, the fund rose by 3.6% compared to a 4.2% rise in the FTSE All World Asia Pacific ex Japan Index and a 4.1% rise in the FTSE Emerging Index, both adjusted for sterling.

We believe there are two reasons for the poor performance of Chinese stocks this year: China's deleveraging campaign and trade.

This deleveraging has focused not on bank lending, but on alternative forms of financing. State-owned enterprises continue to benefit from easy access to bank lending but we have seen signs of this tightening in property transactions and land sales, auto sales, stock-market performance, Macau gaming revenues, and even banker's acceptances.

Small and medium sized enterprises (SMEs) use banker's acceptances as a tool to manage their short-term working capital. Although the People's Bank of China (PBOC) set up an electronic platform for trading acceptances in 2009, the system remained largely paper-based, and susceptible to fraud. A particularly big fraud was uncovered at one of the big four banks in 2016. The resulting government crackdown caused a significant liquidity squeeze for SMEs. Now, over 90% of banker's acceptances are traded on the platform and the PBOC seems comfortable it has sufficient transparency. It has therefore increased the quota for new issuance and interest rates have started to fall. The government remains committed to gradual deleveraging, but financial conditions should be looser in the next few quarters.

There has not yet been much evidence of a real economic impact of the 'trade war' with the US, despite anecdotal evidence of a drop in orders. The dispute has damaged sentiment, which was already suffering in an environment that is unfriendly to emerging markets due to the strong US dollar and economic woes in Turkey and Argentina. China and the US have agreed a 90 day truce while they try to find a deal. The list of US demands suggests that this is less about the US trade deficit with China, than an objection to China's underlying economic model. We hope that some of these demands prove to be negotiating tactics and that both sides reach a compromise.

In Latin America, politics, and not finance or trade policy, has been the main driver of equity markets this year. Stock markets in Brazil and Mexico staged relief rallies as elections ended long periods of uncertainty. Investors hoped that the new leaders, despite their unconventional approaches, would not destabilise the existing economic order. That optimism proved short lived in Mexico. President-elect Lopez Obrador's 'public consultations' have delivered a series of market unfriendly decisions that have eroded investor confidence. In Brazil, optimism remains, even though the new government's agenda is unclear, as the new administration includes key pro-market figures. We continue to believe that Mexico is a more structurally solid story than Brazil, given its open, export-driven economy and manufacturing competitiveness. Our concern is that politics can make a lot of noise before a long-term, structural story comes to fruition. We are settling in for a nail-biting six year presidential term.

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 %	November 2018	Year to date	1 year	3 years	5 years	10 years
O accumulation shares		3.6	-7.0	-6.6	14.3	168.7
Percentage growth (O acc)		%		Share price as at 30 November 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				

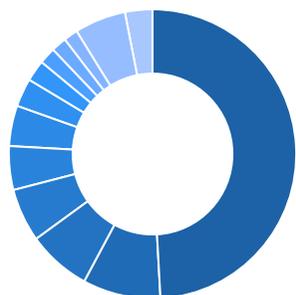
Source: Ruffer LLP, FTSE International (FTSE)†. In July 2018, the LF Ruffer Pacific Fund (RPF) changed its name to the LF Ruffer Pacific & Emerging Markets Fund (RPE) and the investment objective was amended accordingly. Statistics, including performance, for any period prior to 6 July 2018 reflect that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

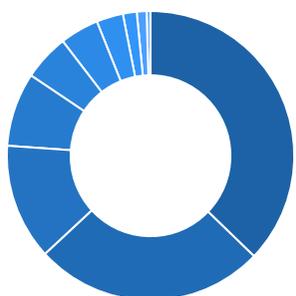
The fund's prospectus and key investor information documents are provided in English and available on request or from www.ruffer.co.uk. Please note that LF Ruffer Investment Funds is a UK UCITS. The LF Ruffer Pacific Fund is not registered for distribution in any country other than the UK.

LF Ruffer Pacific & Emerging Markets as at 30 Nov 2018

Portfolio structure



Asset allocation	%		%
• Hong Kong and China	49.1	• Singapore equities	2.3
• Sri Lanka equities	8.7	• Indonesian equities	1.8
• Japan equities	7.2	• Brazil equities	1.8
• Thailand equities	5.8	• Australia equities	1.6
• Asia Pacific ex Japan	5.1	• Other	5.8
• Gold investments	4.5	• Cash	3.0
• Mexico equities	3.2		



Currency allocation	%		%
• Sterling	37.2	• Australian dollar	1.6
• Hong Kong dollar	26.0	• Philippines peso	1.2
• Sri Lanka rupee	8.4	• Yen	0.4
• US dollar	5.1	• Other	12.9
• Gold	4.4		
• Singapore dollar	2.9		

10 largest of 80 equity holdings

Stock	% of fund	Stock	% of fund
Longfor Properties	3.7	China Mobile	2.9
China Overseas Land & Investments	3.6	Vinacapital Vietnam	2.8
Swire Pacific	3.4	Li Ning	2.7
Softbank	3.3	PICC Property & Casualty	2.4
Industrial & Commercial Bank of China	3.1	Zhuzhou CRRC Times Electric	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 **£374.1m**

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	0.60	0.94
Minimum investment	£1,000	
Ex dividend dates	15 Mar, 15 Sep	
Pay dates	15 May, 15 Nov	
Dealing	Weekly forward, every Wednesday where this is a business day Plus the last business day of the month	
Cut off	10am on Wednesday (where it is a business day) and the last business day of the month	
ISIN	GB0034035328 (acc)	GB00B8BZHC05 (acc) GB00B7GWOG44 (inc)
SEDOL	3403532 (acc)	B8BZHC0 (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 October 2018, assets managed by the Ruffer Group exceeded **£21.5bn**.

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