

LF Ruffer Pacific & Emerging Markets

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



December 2018 Issue 182

During the month, the fund fell by 3.1% compared to the FTSE All World Asia Pacific ex Japan Index which fell 2.9% and the FTSE Emerging Index which fell 2.7%, both adjusted for sterling.

After President Trump and President Xi Jinping agreed a temporary truce at the G20 summit in early December, there were some hopes that the US and China would step back from the damaging rhetoric of the past few months, and start to move towards a trade deal. However, the mood quickly soured when it transpired that Meng Wanzhou, the CFO of Huawei and daughter of its founder, Ren Zhengfei, had been detained in Canada, pending extradition to the US, at the request of the Americans. Ms Meng has been accused of assisting Huawei to violate US sanctions against Iran. We do not know whether this is true or not, but the reality is that for several months Western security experts have been warning against the security implications of relying on Chinese technology, and countries such as the US, Australia, New Zealand and the UK, have been actively taking measures to thwart this. Huawei is an unlisted Chinese telecommunications company, with annual revenue of over US\$100bn in 2018, derived from smartphone sales (over 200m units last year), and supply of telecommunications equipment. It is hoping to be a global leader in 5G technology, and it signed 26 5G contracts in 2018, and supplied over 10,000 5G stations to over 160 cities worldwide. In other words, it has become a formidable competitor to the major global players in this industry, and it is also delivering its technology to developing countries, thus – arguably – helping China build out a new sphere of influence in the emerging world.

This, combined with the security issues, is at the heart of the ‘trade war’, in our view. Apart from a period of self-imposed isolation and economic collapse as a result of civil war and Communism, for most of the past two thousand years, China has been the largest single economic block in the world, and now she is coming back. Huawei is just one example of a Chinese company with large and growing global clout, and while Huawei is privately owned, China has plenty of state-backed champions to spearhead its move overseas. Not only does China espouse a political system that is deeply inimical to Western liberal democracies, but there is a growing feeling that she has used unfair trading tactics, for example, forced technology transfer from the West and state sponsorship, to attain her current strength. As a result, we believe this is just the first shot in a power struggle, which will likely continue for many years, if not decades.

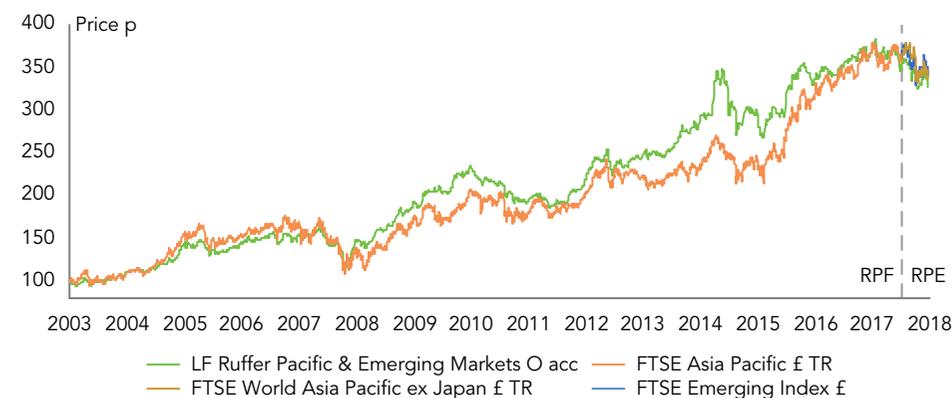
Returning however to the shorter term, Asian and emerging markets have not been helped either by the precipitous slide in US equities, particularly tech stocks, but the surprise is that in the last few months, they have at least outperformed the US. This is cold comfort to investors who are still losing money, but would suggest that the much lower valuations in these markets will provide some support through a period of global liquidity tightening.

In future, this report will be published on a quarterly rather than monthly basis.

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 %	December 2018	Year to date	1 year	3 years	5 years	10 years	
O accumulation shares		-3.1	-9.8	-9.8	9.6	34.1	120.3
Percentage growth (O acc)		%	Share price as at 31 December 2018				p
31 Dec 2017 – 31 Dec 2018		-9.8	O accumulation				331.05
31 Dec 2016 – 31 Dec 2017		9.9	C accumulation				337.78
31 Dec 2015 – 31 Dec 2016		10.6	C income				94.05
31 Dec 2014 – 31 Dec 2015		4.9					
31 Dec 2013 – 31 Dec 2014		16.7					

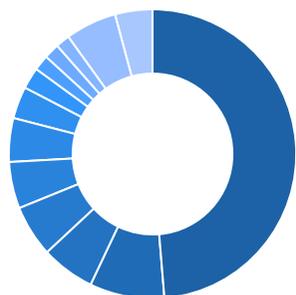
Source: Ruffer LLP, FTSE International (FTSE)†. In July 2018, the LF Ruffer Pacific Fund (RPF) changed its name to the LF Ruffer Pacific & Emerging Markets Fund (RPE) and the investment objective was amended accordingly. Statistics, including performance, for any period prior to 6 July 2018 reflect that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

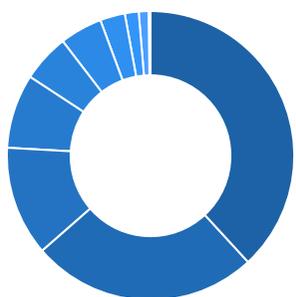
The fund's prospectus and key investor information documents are provided in English and available on request or from www.ruffer.co.uk. Please note that LF Ruffer Investment Funds is a UK UCITS. The LF Ruffer Pacific Fund is not registered for distribution in any country other than the UK.

LF Ruffer Pacific & Emerging Markets as at 31 Dec 2018

Portfolio structure



Asset allocation	%		%
• Hong Kong and China	48.7	• Singapore equities	2.3
• Sri Lanka equities	8.5	• Indonesian equities	1.8
• Japan equities	6.1	• Brazil equities	1.7
• Thailand equities	5.6	• Australia equities	1.6
• Asia Pacific ex Japan	5.2	• Other	5.8
• Gold investments	5.1	• Cash	4.2
• Mexico equities	3.5		



Currency allocation	%		%
• Sterling	38.3	• Australian dollar	1.6
• Hong Kong dollar	25.5	• Philippines peso	1.2
• Sri Lanka rupee	8.2	• Yen	-0.2
• Gold	5.3	• Other	12.4
• US dollar	4.9		
• Singapore dollar	2.8		

10 largest of 78 equity holdings

Stock	% of fund	Stock	% of fund
Longfor Properties	4.0	China Mobile	2.8
China Overseas Land & Investments	3.6	Li Ning	2.7
Swire Pacific	3.3	Softbank	2.7
Industrial & Commercial Bank of China	3.2	Zhuzhou CRRC Times Electric	2.5
Vinacapital Vietnam	2.8	PICC Property & Casualty	2.4

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 **£365.3m**

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	0.97
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 30 November 2018, assets managed by the Ruffer Group exceeded £21.1bn.

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