

# LF Ruffer Pacific & Emerging Markets

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



March 2019 Issue 183

During the quarter, the fund rose by 8.7% compared to the FTSE All World Asia Pacific ex Japan Index, adjusted for sterling, which rose 8.6% and the FTSE Emerging Index which rose 7.9%.

2019 has started on an upbeat note, with our investment universe driven higher thanks to a pause in the US rate tightening cycle, easing of concerns around a US/China trade war, and optimism around modest monetary and fiscal stimulus in China. Indeed, Chinese A shares were the best performing market in the world in the first quarter. We are not able to own this market directly, but have a holding in an A share exchange-traded fund (ETF). This, and our Hong Kong listed Chinese H shares, generally did well. Meanwhile, the pause in US tightening and stabilisation of the dollar has provided breathing room across the rest of Asia and emerging markets.

In Asia, we have focused our energy on countries where we feel the external position is more robust and there is potential for a recovery in domestic demand. In Korea, over the last year, the government's redistributive policies appear to have put a damper on consumer spending, while the economic slowdown in China and Europe has reduced demand for Korean exports. These policy and cyclical headwinds appear to be fading, while domestic sentiment is morose and valuations depressed, which we feel could offer an opportunity.

We have become incrementally more positive about Thailand. The economy has performed below potential since the military coup in 2014. Following the election, we think there could be a resumption in inbound investment, as long as Thailand remains politically stable, and the new government is more proactive about encouraging such investment, and implements some of its infrastructure plans. We understand from meeting one company that they are already seeing more interest from Chinese companies in investing in the country.

We have only a minimal position in the Philippines. It grew at its slowest rate for three years in 2018, but our fear has been it was overheating. Inflation hit almost 7% in Q3 2018, fiscal and current account deficits have widened (from a current account surplus in 2016), and the currency weakened. The response of the central bank has been dovish. It raised rates five times (up 175bps) in 2018, but with a year end policy rate of 4.75%, it could be argued they were too low in the first place. There is now talk rates will come down in 2019. While superficially justified by a drop in inflation to 3.8%, courtesy of the oil price and food prices – and a bounce in the currency – we are unconvinced.

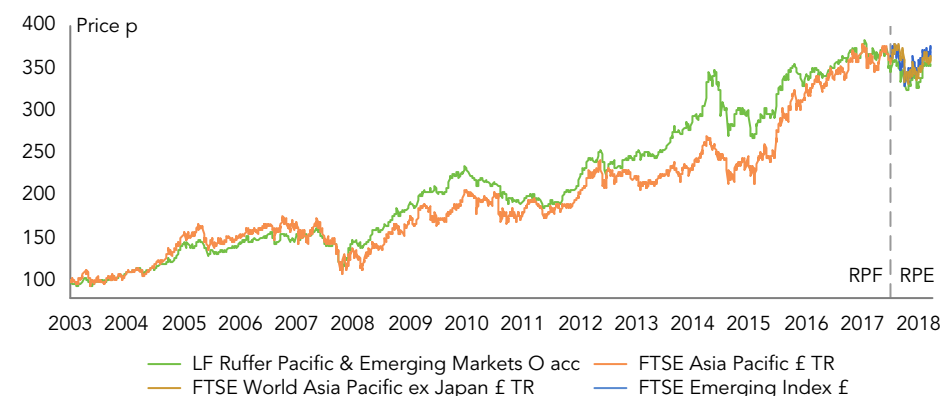
Brazil, which remains fragile macroeconomically, enjoyed a period of stability in Q1, with the exchange rate, inflation and interest rates all benefitting from a moment of calm. Equity markets rode a wave of optimism around the new government's reform program. While there is room for a continued cyclical rebound in Brazil, we largely sat out the early Q1 rally as we believe sentiment locally is too elevated and structural issues remain a long term overhang. In Mexico, on the other hand, we added to our holdings. Investor and corporate sentiment is plumbing new lows due to concerns over the new government, but seems too pessimistic given strong consumer confidence and healthy structural underpinnings of the economy.

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



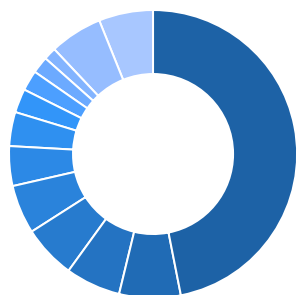
Performance %	Q1 Year to date	1 year	3 years	5 years	10 years
O accumulation shares	8.7	8.7	-1.3	21.8	145.5
<b>Percentage growth (O acc)</b>	<b>%</b>	<b>Share price as at 29 March 2019</b>			
31 Mar 2018 – 31 Mar 2019	-1.3	<b>O accumulation</b>			
31 Mar 2017 – 31 Mar 2018	6.5	<b>C accumulation</b>			
31 Mar 2016 – 31 Mar 2017	15.9	<b>C income</b>			
31 Mar 2015 – 31 Mar 2016	-5.6				
31 Mar 2014 – 31 Mar 2015	25.2				

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.

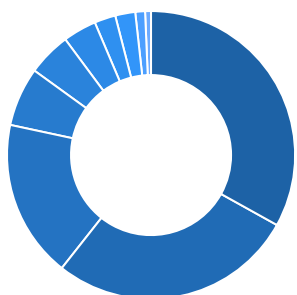
Ruffer performance is shown after deduction of all fees and management charges, and on the basis of income being reinvested. Past performance is not a guide to future performance. The value of the shares and the income from them can go down as well as up and you may not get back the full amount originally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

# LF Ruffer Pacific & Emerging Markets as at 29 Mar 2019

## Portfolio structure



Asset allocation	%		%
• Hong Kong and China	46.9	• Brazil equities	2.6
• Sri Lanka equities	6.8	• Australia equities	2.2
• Mexico equities	6.2	• Singapore equities	1.9
• Thailand equities	5.9	• Indonesian equities	1.5
• Japan equities	5.6	• Other	5.9
• Asia Pacific ex Japan	4.3	• Cash	6.1
• Gold investments	3.9		



Currency allocation	%		%
• Sterling	33.0	• Australian dollar	2.2
• Hong Kong dollar	27.6	• Philippines peso	1.2
• Sri Lanka rupee	6.6	• Yen	0.6
• US dollar	4.9	• Other	17.7
• Gold	3.9		
• Singapore dollar	2.3		

## 10 largest of 84 equity holdings

Stock	% of fund	Stock	% of fund
Longfor Properties	3.4	Industrial & Commercial Bank of China	2.5
Swire Pacific	3.2	Zhuzhou CRRC Times Electric	2.5
China Overseas Land & Investments	3.1	Anta Sports Products	2.3
Softbank	3.0	Vinacapital Vietnam	2.2
China Mobile	2.6	Li Ning	2.1

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 **£461.5m**

## 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	0.57	0.89
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 28 February 2019, assets managed by the Ruffer Group exceeded £21.0bn.

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