

LF Ruffer Pacific & Emerging Markets

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



December 2019 Issue 186

During the quarter, the fund rose by 4.3% compared to a 1.9% rise in the FTSE All World Asia Pacific ex Japan Index and a 3.2% rise in the FTSE Emerging Index, both adjusted for sterling. Most of the gains occurred in December, as markets heaved a sigh of relief that the US and China were moving towards a trade deal, and that a new round of tariffs would not be imposed.

One of the most difficult decisions during the quarter has been around currency exposure, particularly ahead of the UK General Election, with the prospect of either no Brexit, soft Brexit or hard Brexit, depending on the outcome. We are not able to hedge all of our currencies, but in the end we opted for maximum protection against a potential rise in sterling, and therefore hedged all our HKD, SGD, JPY and USD exposure. Generally though, holding non-sterling assets has been a drag all year and in particular this quarter, given sterling's 7% rise against the dollar.

China remains our largest single exposure, via Chinese shares listed in Hong Kong and the US. Partly because of the ongoing protests in Hong Kong, these have underperformed their mainland listed counterparts, but as the protests appeared to calm down in the latter part of the quarter, there was some catch up. In Q4, the HSCEI Index was up 9.5% in local currency terms, versus 7.1% for the Shanghai Composite Index. China reported its lowest GDP number in nearly three decades, 6.0%, in Q3 2019, while industrial company profits have been falling all year. Nonetheless, for now, the consumer is still holding up. E-commerce now accounts for 20% of retail sales, and Alibaba's Single's Day sales were up 26% year on year. In Q4, China loosened liquidity, and it has recently formalised hukou reform, which was positive for Chinese property stocks. We have some longer term concerns around how China will manage both a structural slowdown and its ageing population, but for now, this is likely to remain our largest exposure.

We visited India in Q4. India is clearly undergoing a painful economic slowdown, as it deals with the credit excesses of the past few years, as well as various government policy measures. Some of these measures such as the bankruptcy code and changes to GST, were overdue, but implementation has caused some shocks to the economy. We have long argued that the market is overvalued, and its premium valuation to other Asian and emerging markets has continued to widen, despite the deterioration in economic fundamentals. We certainly under-estimated the extent to which demonetisation would drive money, previously held as cash, into more formal channels, and thence into the stockmarket. Still, smaller companies have been derated, and we made a new Indian investment this quarter.

Meanwhile, Modi's landslide election victory has allowed him to press ahead with revocation of Kashmir's constitutional autonomy, and the Citizenship Amendment Act, which has led to widespread protests. With ongoing protests in Chile and Hong Kong as well, we start the new decade with the uncomfortable observation that even though these are seemingly unconnected, serious political conflict is becoming more common, even in historically apathetic Asia.

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 %	Q4	Year to date	1 year	3 years	5 years	10 years
O accumulation shares	4.3	11.7	11.7	10.6	28.3	95.7
Percentage growth (O acc)	%		Share price as at 31 December 2019			
31 Dec 2018 – 31 Dec 2019	11.7		O accumulation			
31 Dec 2017 – 31 Dec 2018	-9.8		C accumulation			
31 Dec 2016 – 31 Dec 2017	9.9		C income			
31 Dec 2015 – 31 Dec 2016	10.6					
31 Dec 2014 – 31 Dec 2015	4.9					

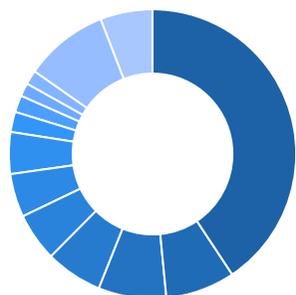
Source: Ruffer LLP, FTSE International (FTSE)†. In July 2018, the LF Ruffer Pacific Fund (RPF) changed its name to the LF Ruffer Pacific & Emerging Markets Fund (RPE) and the investment objective was amended accordingly. Statistics, including performance, for any period prior to 6 July 2018 reflect that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

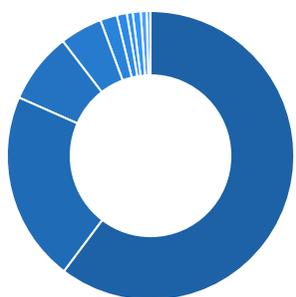
The fund's prospectus and key investor information documents are provided in English and available on request or from www.ruffer.co.uk. Please note that LF Ruffer Investment Funds is a UK UCITS. The LF Ruffer Pacific Fund is not registered for distribution in any country other than the UK.

LF Ruffer Pacific & Emerging Markets as at 31 Dec 2019

Portfolio structure



Asset allocation	%		%
• Hong Kong and China	40.7	• Brazil equities	2.2
• Sri Lanka equities	7.8	• Singapore equities	1.9
• Mexico equities	7.7	• Indonesian equities	1.6
• Asia Pacific ex Japan	6.4	• Technology	1.5
• Thailand equities	5.2	• Other	9.5
• Gold investments	4.9	• Cash	5.8
• Japan equities	4.8		



Currency allocation	%		%
• Sterling	60.3	• Australian dollar	0.8
• Sri Lanka rupee	7.8	• Yen	0.7
• Gold	4.8	• Singapore dollar	0.4
• Hong Kong dollar	1.9	• Other	21.4
• Philippines peso	1.1		
• US dollar	0.8		

10 largest of 77 equity holdings

Stock	% of fund	Stock	% of fund
China Overseas Land & Investments	3.5	Anta Sports Products	2.5
Longfor Properties	3.3	Softbank	2.5
Vinacapital Vietnam	3.2	PICC Property & Casualty	2.4
Alibaba Group	2.8	China Mobile	2.3
Swire Pacific	2.6	Industrial & Commercial Bank of China	2.2

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 £406.7m

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	0.96	1.22
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 2019, assets managed by the Ruffer Group exceeded £19.8bn.

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