

# CF Ruffer Japanese Fund

Providing capital growth by investing in a portfolio of Japanese equities



March 2016 Issue 83

During the period from 1 March to 31 March the price of the fund's O accumulation shares increased by 3.6% from 159.08 pence to 164.79 pence. In the same period the TOPIX on a sterling adjusted basis rose by 1.1%, while the TOPIX in yen went up by 3.8%. As of the close on 31 March the fund was 95.0% invested in equities and its net cash position was 5.0%.

During the abovementioned period, in terms of attribution, SONY [6758 JP], ORIX [8591 JP], Mazda Motor [7261 JP], Nabtesco [6268 JP] and Hitachi [6501 JP] were the biggest positive contributors, while T&D Holdings [8795 JP], Infomart [2492 JP], Miraca Holdings [4544 JP], Tokio Marine Holdings [8766 JP] and East Japan Railway [9020 JP] provided the largest negative contributions.

The global recovery mode continued into March with the TOPIX finishing the month with a positive return for the first time in four months. However, Japanese equities' recovery was much more sluggish compared to other major countries' stock markets as the yen's persistent strength dampened investors' expectations for corporate profit growth in Japan. Small cap stocks outperformed large cap stocks with the JASDAQ Index and the Mothers Index rising 6.4% and 21.7% respectively.

As for the financial year ending March 2016, the TOPIX fell by 12.7% with the TOPIX 100 Index decreasing by 15.5% and the TOPIX Small Cap Index down by 4.7%. The JASDAQ Index fell by 1.1% while the Mothers Index rose by 16.1%. Throughout the financial year, small-cap stocks did better than large-cap stocks while low beta stocks outperformed high beta stocks. Low beta, stable cash flow stocks continued to be favoured by global investors, who seek bond-like equities in an environment of ever falling long term interest rates.

Following the weak performance since last summer, Japanese equity valuations have become even more attractive. According to the SMBC Nikko quant team's calculation, as of the close of 31 March, 1,811 stocks were sitting on net cash with 63 stocks trading with negative enterprise value (where companies' net cash positions exceeded their market capitalisations). According to Nomura Securities' strategy team, the TOPIX's forward P/E ratio for the financial year ending March 2017 is 13.7x with its current Price-to-Book ratio of 1.2x and dividend yield of 2.1%. The TOPIX 100 Index's valuation is even cheaper with its forward P/E ratio of 12.5x.

We are mindful that the yen's recent appreciation will lead to further earnings downgrades and even more cautious guidance, and thus that forward Japanese equity valuations are not as cheap as they look. However, the valuations of some good quality businesses have become very attractive for those who can take a long-term approach. Our strategy is to continue the gradual process of recycling within the fund, trimming highly valued defensive and small-cap stocks and putting the proceeds into lowly valued names of good quality. Global value-orientated fund managers are said to have been selling value stocks in Japan to meet continuous redemptions; we will look to take advantage of this.

## Investment objective

The investment objective of CF Ruffer Japanese Fund is to provide capital growth by investing in a portfolio of predominantly Japanese equities, though Japanese fixed income securities and fixed income securities and equities from other geographical areas may be utilised if the Investment Manager believes they will assist in meeting the overall objective of the sub fund. The fund may also invest in collective investment schemes, cash, money market instruments, other transferable securities and derivatives and forward transactions and other investments to the extent that each is permitted by the regulations. There will be no particular emphasis on any industrial or economic sector.

## Performance since launch on 14 May 2009



Performance %	March 2016	Year to date	1 year	3 years	5 years	10 years
O accumulation shares	3.6	-10.6	-14.8	24.7	56.9	na

Percentage growth (O acc)	%	Share price as at 31 March 2016	p
31 Mar 2015 – 31 Mar 2016	-14.8	<b>O accumulation</b>	<b>164.79</b>
31 Mar 2014 – 31 Mar 2015	23.4	<b>C accumulation</b>	<b>166.85</b>
31 Mar 2013 – 31 Mar 2014	18.6		
31 Mar 2012 – 31 Mar 2013	22.1		
31 Mar 2011 – 31 Mar 2012	3.1		

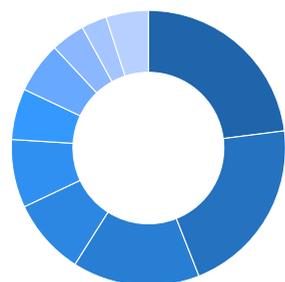
Source: Ruffer LLP

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 CF Ruffer Investment Funds is a UK UCITS. The CF Ruffer Japanese Fund is not registered for distribution in any country other than the UK.

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.

# CF Ruffer Japanese Fund as at 31 March 2016

## Portfolio structure



Asset allocation	%		%
• Industrial	23	• Consumer	6
• Financial	21	• Real estate	6
• Technology	15	• Auto	4
• Services	9	• Retail	3
• Healthcare	8	• Cash	5



Currency allocation	%
• Sterling	50
• Yen	50

## 10 largest of 52 equity holdings

Stock	% of fund	Stock	% of fund
ORIX	4.6	Secom	2.8
Sony	4.2	Nidec Corporation	2.7
M3	3.3	Rakuten	2.6
Seven & I	3.2	NTT Data	2.4
Mazda Motor	3.2	T&D Holdings	2.4

Source: Ruffer LLP

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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 £409.3m

## Fund information

%	O class	C class
Ongoing Charges Figure	1.57	1.24
Annual management charge	1.5	1.2
Maximum initial charge	5.0	5.0
Yield	0.00	0.10
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	
Share classes	Accumulation only	
	O class	C class
ISIN	GB00B3SGKR77	GB00B846SB60
SEDOL	B3SGKR7	B846SB6
Investment adviser	Ruffer LLP	
ACD	Capita Financial Managers Limited	
Depositary	BNY Mellon Trust & Depositary (UK) Limited	
Auditors	Grant Thornton UK LLP	
Structure	Sub-fund of CF Ruffer Investment Funds (OEIC) UK domiciled UCITS Eligible for ISAs	

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## Fund Manager

**Kentaro Nishida**  
INVESTMENT DIRECTOR



After obtaining a BEcon in Japan and studying Russian in Moscow he worked as an interpreter in both Russia and the UK. He moved into equity sales in 1988 for James Capel & Company Limited and then SG Warburg Securities in 1989. He joined Ruffer in 2008 to concentrate on Japanese equities and manages the CF Ruffer Japanese Fund.

## Ruffer LLP

Ruffer LLP manages investments on a discretionary basis for private clients, trusts, charities and pension funds. As at 31 March 2016, assets managed by the Ruffer Group exceeded £18.2bn, of which over £9.4bn was managed in open-ended Ruffer funds.

## Dealing line

0345 601 9610

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