

# LF Ruffer Japanese Fund

Providing capital growth by investing in a portfolio of Japanese equities



During the month, the price of the fund's O accumulation shares increased by 2.8%, from 242.63 pence to 249.36 pence. In the same period, the FTSE Japan Total Return Index, on a sterling-adjusted basis, was flat, while the FTSE Japan Total Return Index in yen increased by 1.2%. As of 31 January, the fund was 97% invested in Japanese equities, its cash position was 3%, and its exposure to the yen was 30%.

Regarding attribution for the abovementioned period, Daiichi Sankyo [4568 JP], Yamato Holdings [9064 JP], Nabtesco Corporation [6268 JP], ORIX Corporation [8591 JP] and Mitsubishi Electric [6503 JP] were the biggest positive contributors, while FujiFilm Holdings [4901 JP], Seven & I Holdings [3382 JP], NTT Data Corporation [9613 JP], Rakuten [4755 JP] and Recruit Holdings [6098 JP] were the largest negative contributors.

We increased the fund's exposure to the advertising, broadcasting and media sectors as well as the transport sector, while we slightly trimmed the fund's exposure to the pharmaceutical sector. We also installed protection, by way of a short-dated put option, on the Nikkei 225 Index. We had no exposure to the pharmaceutical sector at the end of 2016, but continued to build positions throughout 2017, focusing on a small number of companies which had been developing unique drug delivery systems to enhance the efficacy of drugs and reduce side effects. During the final quarter of 2017, we also trimmed the fund's exposure to technology companies and put the proceeds into large capitalisation value names.

January started strongly for global equities on the back of growing expectations for the continued expansion of the global economy. Japanese equities rose and the Nikkei 225 Index hit a 26 year high of 24,129.34 on 23 January. However, the combination of rising interest rates in the US and speculation about a normalisation of Bank of Japan monetary policy, dampened investor sentiment and caused Japanese equities to sell off along with other markets at the end of the month. The correction continued into February and the Nikkei 225 Index hit an intraday low of 21,078.71 on 6 February, a fall of 12.6% from the 26 year high. During the same period, the TOPIX fell by 10.7% from 1,911.31 to 1,707.07 which gives a twelve month forward PER of 13.7x according to calculations provided by Daiwa Securities.

Japanese companies started announcing their results for the December 2017 quarter in the fourth week of January with the overall picture looking encouraging so far. At the time of writing on 6 February, approximately 70% of TOPIX March-end companies have announced results, with aggregate net profits up by around 28% year on year according to CLSA's calculation. Cumulative net profits for the nine month period are similarly up by 29% year on year, and since Japanese companies' earnings have been progressing faster than their share prices, valuations have decreased. Evidence of improved capital allocation and shareholder returns should help Japanese companies achieve a re-rating over time. Whilst not always successful in communicating their progress to the investment community, we are seeing further tangible signs that Japanese companies are moving in the right direction in this regard.

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 Japanese Fund is not registered for distribution in any country other than the UK.

## Investment objective

The investment objective of LF 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 %	January 2018	Year to date	1 year	3 years	5 years	10 years
O accumulation shares	2.8	2.8	19.0	45.0	110.8	na

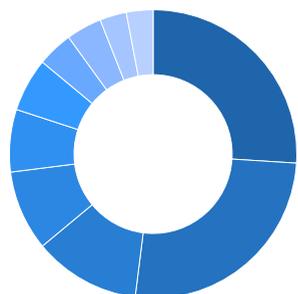
Percentage growth (O acc)	%	Share price as at 31 January 2018	p
31 Dec 2016 – 31 Dec 2017	17.6	<b>O accumulation</b>	<b>249.36</b>
31 Dec 2015 – 31 Dec 2016	12.0	<b>C accumulation</b>	<b>253.82</b>
31 Dec 2014 – 31 Dec 2015	6.5	<b>C income</b>	<b>119.29</b>
31 Dec 2013 – 31 Dec 2014	3.7		
31 Dec 2012 – 31 Dec 2013	50.7		

Source: Ruffer LLP, FTSE International (FTSE)†. The performance comparator has changed from the TOPIX to the FTSE Japan Index as Ruffer adopts FTSE as a data provider for all funds.

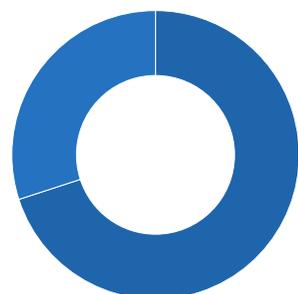
Ruffer performance is shown after deduction of all fees and management charges, and on the basis of income being reinvested. Past performance is not a guide to future performance. The value of the shares and the income from them can go down as well as up and you may not get back the full amount originally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

# LF Ruffer Japanese Fund as at 31 January 2018

## Portfolio structure



Asset allocation	%		%
• Financial	26	• Services	6
• Industrial	26	• Real estate	4
• Technology	12	• Auto	4
• Healthcare	9	• Retail	3
• Consumer	7	• Cash	3



Currency allocation	%
• Sterling	70
• Yen	30

## 10 largest of 69 equity holdings

Stock	% of fund	Stock	% of fund
Sony Corp	4.7	Daiichi Sankyo	3.0
ORIX	4.1	Dai-ichi Life Insurance	2.6
Mitsubishi Electric	3.3	Tokio Marine	2.2
Fujitsu	3.2	Mitsubishi UFJ Financial	2.0
T&D Holdings	3.1	Nabtesco	1.9

Source: Ruffer LLP

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 £612.6m

## Fund information

%	O class	C class
Ongoing Charges Figure*	1.55	1.25
Annual management charge	1.5	1.2
Maximum initial charge	5.0	5.0
Yield	0.00	0.22
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 (acc)	GB00B846SB60 (acc) GB00B88MBW20 (inc)
SEDOL	B3SGKR7 (acc)	B846SB6 (acc) B88MBW2 (inc)
Investment adviser	Ruffer LLP	
ACD	Link Fund Solutions Limited	
Depository	The Bank of New York Mellon (International) Limited	
Auditors	Grant Thornton UK 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

**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 LF Ruffer Japanese Fund.

## Ruffer LLP

Ruffer LLP manages investments on a discretionary basis for private clients, trusts, charities and pension funds. As at 31 January 2018, assets managed by the Ruffer Group exceeded £22.7bn, of which over £14.0bn was managed in open-ended Ruffer funds.

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Issued by Ruffer LLP, 80 Victoria Street, London SW1E 5JL.  
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