

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 decreased by 0.7%, from 249.36 pence to 247.73 pence. In the same period, the FTSE Japan Total Return Index, on a sterling-adjusted basis, increased by 0.9%, while the FTSE Japan Total Return Index in yen decreased by 3.8%. As of 28 February, the fund was 97% invested in Japanese equities, its cash position was 3%, and its exposure to the yen was 98%.

Regarding attribution for the abovementioned period, Sony [6758 JP], Nihon Kohden [6849 JP], Otsuka [4768 JP], Uzabase [3966 JP] and Mitsubishi Heavy Industries [7011 JP] were the biggest positive contributors, while Fujitsu [6702 JP], Mitsubishi Electric [6503 JP], T&D Holdings [8795 JP], Orix [8591 JP] and NTT Data Corporation [9613 JP] were the largest negative contributors.

As referred to in last month's report, we had bought Nikkei 225 Index put protection to safeguard against further equity market weakness. In addition, we removed the fund's currency hedge in early February, increasing the yen exposure from 30% to 98%. Given the Nikkei 225's 10% fall in the first half of the month, we steadily realised profits from our put option, with the final holding sold on 19 February. The put partially offset the fall in the fund's equities and contributed +0.9% to performance. Over the course of the month, the yen strengthened around 6% against sterling.

2018 had started strongly for global equities with the Nikkei 225 hitting a 26 year high on 23 January. However, the combination of rising yields in the US and speculation about a normalisation of Bank of Japan (BoJ) monetary policy, dampened investor sentiment and caused Japanese equities to sell off along with other markets at the end of January. This move continued into February, with the BoJ's third fixed rate government bond purchase operation on 2 February failing to halt the yen's rise. The BoJ offered to buy an unlimited amount of Japanese government bonds at a fixed yield of 0.1% – the same ceiling applied in February and July 2017. This was another clear message to the market that the ten year 0% fix will not be loosened any time soon.

Although inflation data is still subdued, the political and policy backdrop remain stable and supportive of the equity market. Prime Minister Abe's approval rating rose to the highest since records began at the end of February. In addition, continuity was the headline message from BoJ, with the reappointment of Governor Haruhiko Kuroda and the replacement of Deputy Governors Hiroshi Nakaso and Kikuo Iwata with Masayoshi Amamiya and Masazumi Wakatabe, respectively. We view the current and new BoJ board as one dominated by pragmatic reflationists, which we see as supportive to equities.

Japanese companies finished reporting their results for the December 2017 quarter in the middle of February. According to MUFG Securities, aggregate revenue for all Tokyo Stock Exchange First Section companies increased by approximately 9% year-on-year in Q4, with recurring profit also rising around 12% year-on-year. The fund's holdings' progress to full year guidance and our forecast was strong, with a number of companies already exceeding estimates resulting in upward revisions. Given the currency backdrop, it will be interesting to observe the foreign exchange rate assumptions used by companies when setting their guidance for the next fiscal year.

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 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 %	February 2018	Year to date	1 year	3 years	5 years	10 years
O accumulation shares	-0.7	2.1	18.1	35.4	103.6	na

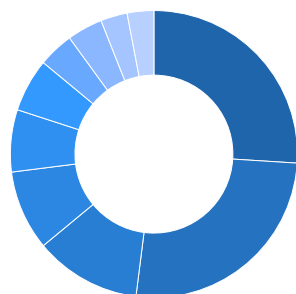
Percentage growth (O acc)	%	Share price as at 28 February 2018	p
31 Dec 2016 – 31 Dec 2017	17.6	O accumulation	247.73
31 Dec 2015 – 31 Dec 2016	12.0	C accumulation	252.22
31 Dec 2014 – 31 Dec 2015	6.5	C income	118.53
31 Dec 2013 – 31 Dec 2014	3.7		
31 Dec 2012 – 31 Dec 2013	50.7		

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.

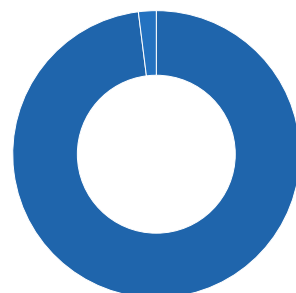
Ruffer performance is shown after deduction of all fees and management charges, and on the basis of income being reinvested. Past performance is not a guide to future performance. The value of the shares and the income from them can go down as well as up and you may not get back the full amount originally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

LF Ruffer Japanese Fund as at 28 February 2018

Portfolio structure



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



Currency allocation	%
• Yen	98
• Sterling	2

10 largest of 69 equity holdings

Stock	% of fund	Stock	% of fund
Sony	5.1	Fujitsu	2.7
ORIX	4.1	Dai-ichi Life Insurance	2.5
Daiichi Sankyo	3.3	Tokio Marine	2.3
Mitsubishi Electric	3.2	Otsuka	2.0
T&D Holdings	3.0	Seven & I Holdings	2.0

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 £603.4m

Fund information

%	O class	C class
Ongoing Charges Figure*	1.54	1.24
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 28 February 2018, assets managed by the Ruffer Group exceeded £22.5bn, of which over £13.8bn was managed in open-ended Ruffer funds.

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