

# LF Ruffer Japanese Fund

Providing capital growth by investing in a portfolio of Japanese equities



During August, the price of the fund's O accumulation shares increased by 1%, from 250.80 pence to 253.27 pence. In the same period the FTSE Japan Total Return Index on a sterling adjusted basis rose by 0.9%, while the FTSE Japan Total Return Index in yen declined 0.8%. As of the close on 31 August, the fund was 98% invested in Japanese equities, its cash position was 2%, and its exposure to the yen was 49%.

Regarding attribution, Sony, Fujitsu, NTT Data, M3 and Recruit were the biggest positive contributors, while OPTEX, Daiichi Sankyo, Nabtesco, Tadano and Sumco provided the largest negative contributions.

August began with the market digesting the outcome of the Bank of Japan's monetary policy meeting which concluded on 31 July. The Bank will continue to walk the tightrope of communication following its introduction of an approximate +/- 20bps range for the ten year government bond yield combined with explicit forward rate guidance. Continued worries over US-led protectionism saw a return to net equity selling by overseas investors with the TOPIX declining over 2% in the first half of the month.

The holiday period was in full effect in the second half of August with a significant decline in market volume. Against this backdrop, we saw a reversal of the recent market trend in Japan with 'value' equities underperforming 'momentum' shares in the final two weeks of the month. Well-known hedge fund favourites have therefore been strong performers with cyclicals declining on the other side. In common with the last 'value' sell-off in June we have not seen the yen strengthen. In fact, the yen has weakened just over 1% against the US dollar since its 20 August high.

By the middle of August, Japanese companies had finished reporting their results for the April to June quarter. Net profits rose just shy of 11% year-on-year with earnings surpassing consensus estimates by around 13%. We continue to observe profitability improvements across corporate Japan with margins at their highest since 2005. Manufacturers continue to lead the way, despite rising capital expenditure. MUFJ Morgan Stanley showed the growth rate implied by capex plans is greater than those seen in the late 1980s. This is one of the reasons why we retain significant exposure to manufacturers producing automation equipment.

We have now passed the summer AGM season. Basic changes are encouraging: for example, the percentage of companies producing notifications in English has increased from 16% in 2014 to 36% this year. Although the approval rate for company proposals remains very high at just under 95% there is a strong rise in corporate-shareholder engagement. This is shown by the rising number of shareholder proposals and lower support rates for management reappointments at companies with poor track records. The fund holds positions in several companies where stock market value is being overly discounted due to expectations of continued suboptimal capital management, and as a result, the fund stands to benefit from further progress on corporate governance.

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 %	August 2018	Year to date	1 year	3 years	5 years
O accumulation shares	1.0	4.4	15.8	40.9	77.0

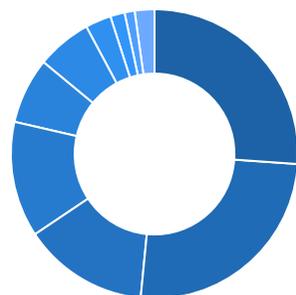
Percentage growth (O acc)	%	Share price as at 31 August 2018	p
30 Jun 2017 – 30 Jun 2018	14.2	<b>O accumulation</b>	<b>253.27</b>
30 Jun 2016 – 30 Jun 2017	31.1	<b>C accumulation</b>	<b>258.25</b>
30 Jun 2015 – 30 Jun 2016	-12.0	<b>C income</b>	<b>121.32</b>
30 Jun 2014 – 30 Jun 2015	16.4		
30 Jun 2013 – 30 Jun 2014	11.8		

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 Aug 2018

## Portfolio structure



Asset allocation	%		%
• Financial	26.1	• Real Estate	2.9
• Industrial	25.5	• Retail	1.7
• Technology	13.9	• Auto	1.0
• Healthcare	13.1	• Cash	2.3
• Consumer	7.3		
• Services	6.2		



Currency allocation	%
• Sterling	50.2
• Yen	49.2

## 10 largest of 66 equity holdings

Stock	% of fund	Stock	% of fund
Sony	5.0	Mitsubishi Electric	3.0
ORIX	4.4	Dai-ichi Life Insurance	2.9
Daiichi Sankyo	4.3	Tokio Marine	2.7
Fujitsu	3.9	Japan Post	2.1
T&D Holdings	3.2	Keyence	2.1

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 **£550.8m**

## 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	
ISIN	O class GB00B3SGKR77 (acc)	C class 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	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

### 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 July 2018, assets managed by the Ruffer Group exceeded £22.4bn.

## Dealing line

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