

LF Ruffer Japanese Fund

Providing capital growth by investing in a portfolio of Japanese equities



During September, the price of the fund's O accumulation shares increased by 4.2% from 253.27 pence to 263.95 pence. In the same period the FTSE Japan Total Return Index on a sterling adjusted basis rose by 3.2%, and the FTSE Japan Total Return Index in yen increased by 5.7%. As of the close on 30 September, the fund was 96% invested in Japanese equities, its cash position was 4%, and its exposure to the yen was 51%.

Continued risk-on sentiment in global equities helped Japanese equities appreciate further with the TOPIX up by 4.7% and the Nikkei 225 Index by 5.5%. The first week of September saw selling pressure on Japanese equities with the TOPIX falling by 2.9% due to concerns regarding the NAFTA negotiations between the US and Canada, trade frictions between Washington and Beijing, and further signs of weakening emerging market economies. This led to an appreciation of the yen against the US dollar. Natural disasters in Japan and falling prices in technology stocks in the US also dampened investor sentiment.

The rest of the month, however, saw a rebound in global equities and Japanese equities rallied with banks and life insurers the strongest performers. One driver of this was strong US employment data which lead to higher long term interest rates in the US and thus a depreciation of the yen against the US dollar. A large increase in its policy rate by the central bank of Turkey also eased concerns about the instability of emerging market currencies. Prime Minister Abe's decisive win in the Liberal Democratic Party's leadership contest, also improved investor confidence.

The Japan team spent two weeks visiting companies in Tokyo and in other prefectures. Our impression remains positive on a long-term basis as we continue to observe political stability combined with a strong corporate sector. Despite this many investors appear to be maintaining negative views on Japan based on out dated observations. The reality is a country that entered a new long-term credit cycle in spring 2011 after a two-decade long process of deleveraging. Japan has also begun a long-term infrastructure investment cycle, driven by the need to modernise the large proportion of infrastructure built in the 1960s. In addition, the tight labour market has propelled Japan into a new medium term capex cycle.

Management behaviour has also changed. Previously, Japanese companies tended to focus on gaining market share at any cost. Corporates are now focusing on profitability rather than revenue while maintaining a high level of research and development expenditure. More than 50% of Japan's listed companies hold net cash positions with many showing strong free cash flow generation. Wages are rising with corporates stepping up capex, especially within IT, in order to enhance efficiency and competitiveness, as well as delivering better shareholder returns via higher dividends and increased share buybacks.

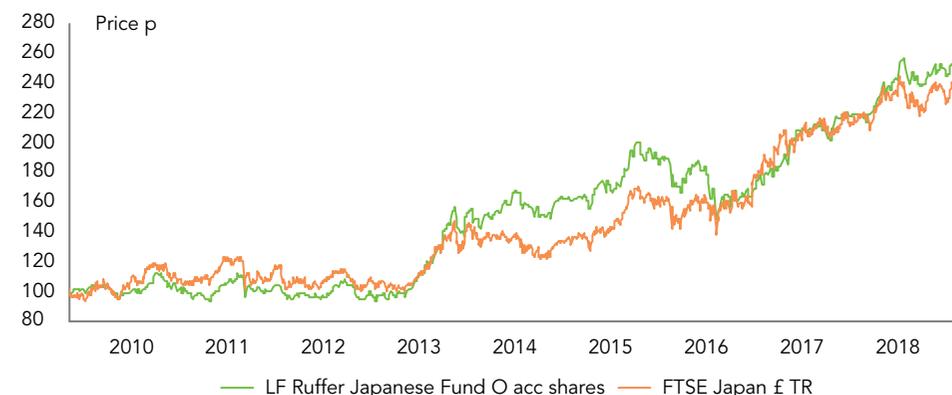
Many challenges remain but there are a number of signs that the Japanese economy's improvement is sustainable, further boosted by the stable political backdrop. This could lead to a virtuous circle. Relatively low valuations and widespread scepticism continue to present opportunities.

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 %	September 2018	Year to date	1 year	3 years	5 years
O accumulation shares	4.2	8.8	18.5	57.5	71.9

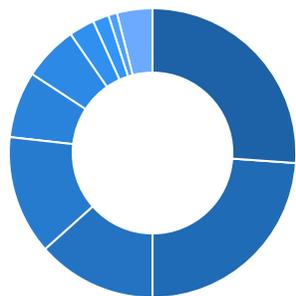
Percentage growth (O acc)	%	Share price as at 28 September 2018	p
30 Sep 2017 – 30 Sep 2018	18.4	O accumulation	263.95
30 Sep 2016 – 30 Sep 2017	22.7	C accumulation	269.21
30 Sep 2015 – 30 Sep 2016	8.4	C income	126.09
30 Sep 2014 – 30 Sep 2015	1.0		
30 Sep 2013 – 30 Sep 2014	8.1		

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 Sep 2018

Portfolio structure



Asset allocation	%		%
• Financial	26.0	• Real Estate	2.8
• Industrial	24.0	• Retail	1.8
• Technology	13.4	• Auto	1.0
• Healthcare	13.3	• Cash	4.0
• Consumer	7.4		
• Services	6.2		



Currency allocation	%
• Yen	51.1
• Sterling	48.9

10 largest of 66 equity holdings

Stock	% of fund	Stock	% of fund
Sony	5.1	Dai-ichi Life Insurance	3.0
Daiichi Sankyo	4.6	Mitsubishi Electric	2.9
ORIX	4.2	Tokio Marine	2.7
Fujitsu	3.6	Keyence	2.0
T&D Holdings	3.3	Japan Post	2.0

Source: Ruffer LLP. Pie chart totals may not equal 100 due to rounding.

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 **£566.7m**

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	

	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 Ernst & Young LLP

Structure Sub-fund of LF Ruffer Investment Funds (OEIC)
UK domiciled UCITS
Eligible for ISAs

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 August 2018, assets managed by the Ruffer Group exceeded £22.1bn.

Dealing line

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*Refers to accumulation shares

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