

LF Ruffer Japanese Fund

Providing capital growth by investing in a portfolio of Japanese equities



During December, the price of the fund's O accumulation shares decreased by 10.3%, from 247.97p to 222.50p. In the same period the FTSE Japan Total Return Index on a sterling adjusted basis fell by 6.1%, while the FTSE Japan Total Return Index in yen declined 10.0%. As of the close on 31 December, the fund was 99% invested in Japanese equities, its cash position was 1%, and its exposure to the yen was 46%.

During the month, we slightly trimmed the fund's exposure to large cap deep value stocks which had performed well in 2018, reinvesting the proceeds into some of the high quality growth stocks which had fallen sharply. We had been actively reducing exposure to these very same growth names from the end of 2017 to the beginning of 2018 but with valuations where they are today we feel they have become attractive yet again as long-term investments. In addition, we installed a US dollar put/yen call option in the fund. Given Japanese equities' tendency to underperform during times of yen appreciation, this instrument should act as a useful form of protection.

During the last quarter, the price of the fund's O accumulation shares decreased by 15.7%. In the same period, the FTSE Japan Total Return Index on a sterling adjusted basis fell by 12.3%, and the FTSE Japan Total Return Index in yen went down by 17.4%. During the calendar year 2018, the price of the fund's O accumulation shares decreased by 8.3%. In the same period, the FTSE Japan Total Return Index on a sterling adjusted basis fell by 7.0%, and the FTSE Japan Total Return Index in yen went down by 15.3%. The Nikkei 225 index and the TOPIX fell by 10.4% and 16.0% respectively in yen terms.

This quarter was a brutal period, for not only the Japanese stock markets, but global equities as a whole. As recently as 1 October the Nikkei 225 soared to its highest intraday level in almost 27 years, since 13 November 1991. However, this was followed by a rapid and steep correction as global financial markets moved into a risk-off mode, and the Nikkei 225 and the TOPIX ended the month of October sharply lower, declining by 9.1% and 9.4% respectively. After a modest recovery in November, December saw a swift return of the risk-off mentality in global financial markets. Japanese equities declined significantly with the major indices falling a further 10.5%.

Following the sharp correction in equity prices over the last three months, the TOPIX's 12 months forward PER now stands at 10.8x (as calculated by Daiwa Securities). With the historical PBR at 1.11x and the dividend yield 2.52%, these three ratios together with many other traditional valuation metrics, demonstrate that Japanese equities are currently at historically cheap levels. Now that more than 50% of Japan's quoted companies are sitting on net cash with their cash positions still growing after the completion of their two decade long deleveraging processes, we expect them to increase dividends and share buy-backs. We may continue to experience difficult market conditions in the short run, but in the long run Japanese equities seem to offer a highly attractive hunting ground, especially from the point of view of Japan's long-term credit cycle.

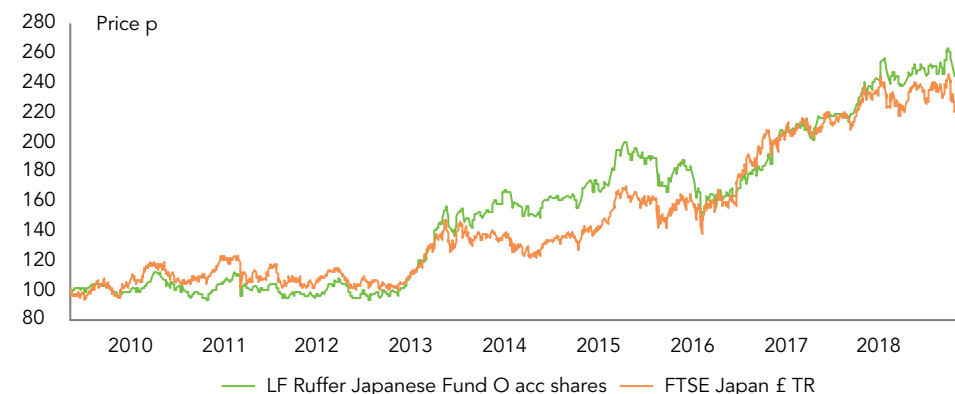
In future, this report will be published on a quarterly rather than monthly basis.

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 %	December 2018	Year to date	1 year	3 years	5 years
O accumulation shares	-10.3	-8.3	-8.3	20.7	33.3

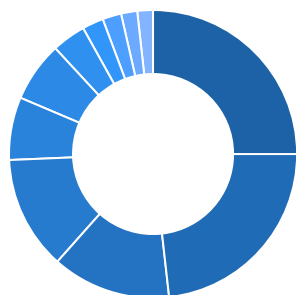
Percentage growth (O acc)	%	Share price as at 31 December 2018	p
31 Dec 2017 – 31 Dec 2018	-8.3	O accumulation	222.50
31 Dec 2016 – 31 Dec 2017	17.6	C accumulation	227.11
31 Dec 2015 – 31 Dec 2016	12.0	C income	106.38
31 Dec 2014 – 31 Dec 2015	6.5		
31 Dec 2013 – 31 Dec 2014	3.7		

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.

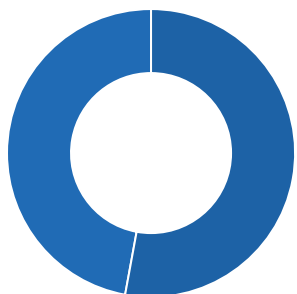
Ruffer performance is shown after deduction of all fees and management charges, and on the basis of income being reinvested. Past performance is not a guide to future performance. The value of the shares and the income from them can go down as well as up and you may not get back the full amount originally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

LF Ruffer Japanese Fund as at 31 Dec 2018

Portfolio structure



Asset allocation	%		%
• Industrial	25.9	• Auto	4.0
• Financial	24.0	• Options	2.5
• Healthcare	14.0	• Real estate	2.3
• Technology	13.3	• Retail	1.8
• Consumer	7.2	• Cash	-1.8
• Services	6.9		



Currency allocation	%
• Sterling	52.1
• Yen	47.1

10 largest of 64 equity holdings

Stock	% of fund	Stock	% of fund
Sony	4.7	Mitsubishi Electric	3.1
ORIX	4.6	Toyota Motor	3.0
Daiichi Sankyo	4.1	Dai-ichi Life Insurance	2.7
Fujitsu	3.9	Keyence	2.6
Tokio Marine	3.2	T&D Holdings	2.3

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 **£474.4m**

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	0.04	0.37
Minimum investment	£1,000	
Ex dividend dates	15 Mar, 15 Sep	
Pay dates	15 May, 15 Nov	
Dealing	Weekly forward, every Wednesday where this is a business day Plus the last business day of the month	
Cut off	10am on Wednesday (where it is a business day) and the 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 30 November 2018, assets managed by the Ruffer Group exceeded £21.1bn.

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