

# LF Ruffer Japanese Fund

Providing capital growth by investing in a portfolio of Japanese equities



During the three months to the end of March, the price of the fund's O accumulation shares increased by 8.6%, from 222.50p to 241.63p. In the same period the FTSE Japan Total Return Index on a sterling adjusted basis rose by 3.7% and the Index in yen increased by 7.8%. As of the close on 31 March, the fund was 95% invested in Japanese equities, its cash position was 5%, and its exposure to the yen was 4%. Daiichi Sankyo, Rakuten, Fujitsu, Shimadzu and Uzabase were the biggest positive contributors to performance, while Sony, Dai-ichi Life, T&D, Seven & I and Nihon Kohden provided the largest negative contributions.

During the quarter, we continued to reduce the fund's exposure to relatively illiquid, higher growth equities, whilst adding to existing large cap names that had remained weak in January.

After a long period of hedging around half of the fund's yen exposure we reflected our view on sterling by increasing the hedge. The yen percentage weighting since the end of February has been approximately mid-single digit.

Following a sharp decline in global equity markets during the last two months of 2018, we saw a rebound in Japan in the new year. Significant declines during the previous quarter provided the opportunity to add to a small number of large cap high quality growth companies. Pleasingly these participated in the broader technology and industrials rally which continued in early 2019. This began in mid-December following the Federal Reserve's 'dovish hike' as Chairman Powell signalled fewer rate increases in 2019 than previously thought. Meanwhile the Bank of Japan continues to walk the tightrope of communication with the yen remaining the key determinant of policy.

Japanese corporates finished reporting their third quarter results by the middle of February. Following a string of strong quarters at the aggregate level, the three month period ending at the end of 2018 brought a 26% decline in net profits. This was driven by a tough basis for comparison as the same period one year earlier was boosted by US tax cuts. In addition, the sharp fall in markets resulted in significant asset write-downs. However, at the operating profit (OP) level, and excluding financials, the picture was far more robust with OP down just 2.5%. Overall, we think the underlying health of corporate Japan remains strong. The market offers attractive investment opportunities supported by the country's recovery phase in its long-term credit cycle.

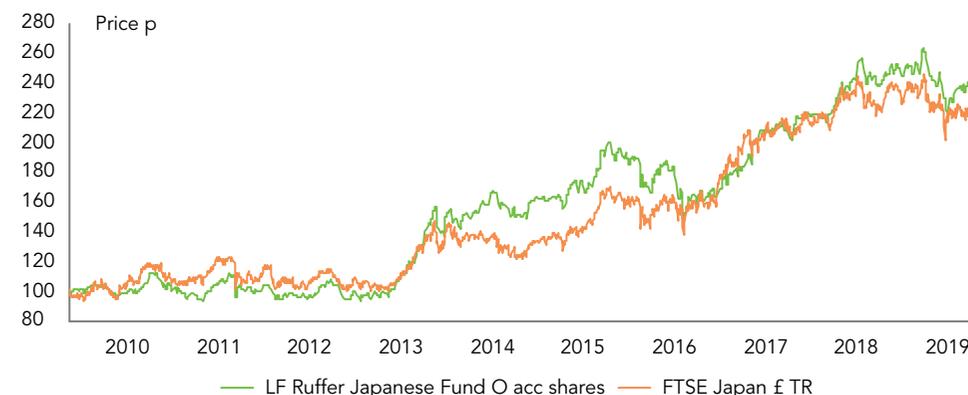
We continue to observe positive governance related developments. More than 50% of Japan's quoted companies remain net cash. The combination of the end of deleveraging along with various government-driven initiatives to improve capital allocation continues to drive cross shareholding reductions and rising shareholder returns. After the value of TOPIX share buybacks reached another all-time high in 2018, there has been a further acceleration in 2019 with buybacks in the first two months 147% higher year on year. Looking ahead to the summer voting season, we expect further positive developments. The team spent two weeks in March in Japan and Taiwan with the latter annual trip focused on the semiconductor industry. We returned broadly positive that we are moving closer to the bottom of the current cycle.

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 %	Q1	Year to date	1 year	3 years	5 years
O accumulation shares	8.6	8.6	0.9	46.6	54.2

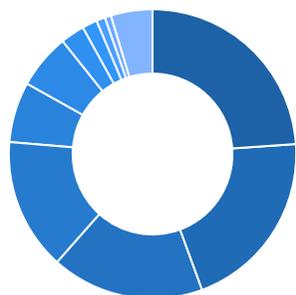
Percentage growth (O acc)	%	Share price as at 29 March 2019	p
31 Mar 2018 – 31 Mar 2019	0.9	O accumulation	241.63
31 Mar 2017 – 31 Mar 2018	14.5	C accumulation	246.81
31 Mar 2016 – 31 Mar 2017	27.0	C income	115.32
31 Mar 2015 – 31 Mar 2016	-14.8		
31 Mar 2014 – 31 Mar 2015	23.4		

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.

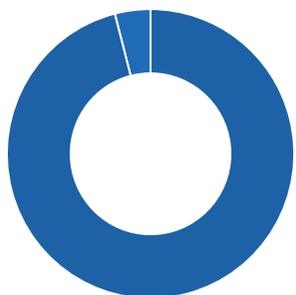
Ruffer performance is shown after deduction of all fees and management charges, and on the basis of income being reinvested. Past performance is not a guide to future performance. The value of the shares and the income from them can go down as well as up and you may not get back the full amount originally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

# LF Ruffer Japanese Fund as at 29 Mar 2019

## Portfolio structure



Asset allocation	%		%
• Industrial	24.0	• Auto	2.8
• Financial	20.4	• Real estate	1.6
• Healthcare	17.2	• Retail	1.1
• Technology	14.8	• Options	0.6
• Services	6.7	• Cash	4.7
• Consumer	6.1		



Currency allocation	%
• Sterling	96.1
• Yen	3.9

## 10 largest of 54 equity holdings

Stock	% of fund	Stock	% of fund
Daiichi Sankyo	5.8	Tokio Marine	3.0
ORIX	4.6	Keyence	2.9
Fujitsu	4.2	Toyota Motor	2.8
Sony	4.1	Rakuten	2.6
Mitsubishi Electric	3.3	Dai-ichi Life Insurance	2.3

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

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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 **£505m**

## 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	0.34
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	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	

\*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 2019, assets managed by the Ruffer Group exceeded £21.0bn.

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