

# LF Ruffer Japanese Fund

Providing capital growth by investing in a portfolio of Japanese equities



December 2020 Issue 124

During the three month period from 1 October to 31 December the price of the fund's O accumulation shares increased by 12.0% while the FTSE Japan Total Return Index on a sterling adjusted basis and in yen went up by 8.8% and 12.3% respectively. The top contributors to performance over the quarter were M3, Sony, ORIX, Murata Manufacturing and Sumco. The largest negative contributors were NEC, Rakuten, JCR Pharmaceutical, Santen Pharmaceutical and the JPY/GBP forex forward contract.

For the calendar year 2020, the fund's O accumulation shares generated a return of 31.5% while the FTSE Japan Total Return returned 11.5% in sterling and 8.9% in yen. Regarding attribution for the calendar year 2020, M3, Daiichi Sankyo, Lifenet Insurance, Fujitsu and Keyence were the biggest positive contributors while ORIX, Tokio Marine, Mandom, East Japan Railway and Recruit provided the largest negative contributions.

October saw a weak form of return reversal as strong performers year to date came under profit taking pressure. While Japanese equities had been ripe for a rebound after a short period of consolidation ahead of the final US election outcome, the risk-on mode was triggered by some positive vaccine news at the beginning of November, and this continued into December. The Nikkei 225 Index reached its highest level in 30 years on 29 December. Cyclical value stocks continued to outperform growth stocks in November and December while growth stocks managed to stage a comeback in the second half of December.

In the new year, covid-19 cases have been rising in Japan, with local governments asking the central government to declare a state of emergency. The Japanese government has been launching various fiscal packages and the Cabinet is said to be drawing up even larger additional fiscal measures. The majority of investors seem to view these fiscal packages as 'stimulus'. However, these look more like 'bailout' packages mainly designed to compensate for lost income. These fiscal measures under the prevailing economic conditions are unlikely to generate multiplier effects. It also seems to us that an increasing number of companies continue to pursue efficiency, which might have a negative impact on employment and wages, likely dampening inflation expectations. Banks also have less incentive to expand their lending books because of the flatter yield curve. Credit creation by banks and higher velocity of money are crucial to higher inflation expectations; liquidity provided by central banks is one thing but these two together are a far more potent cocktail.

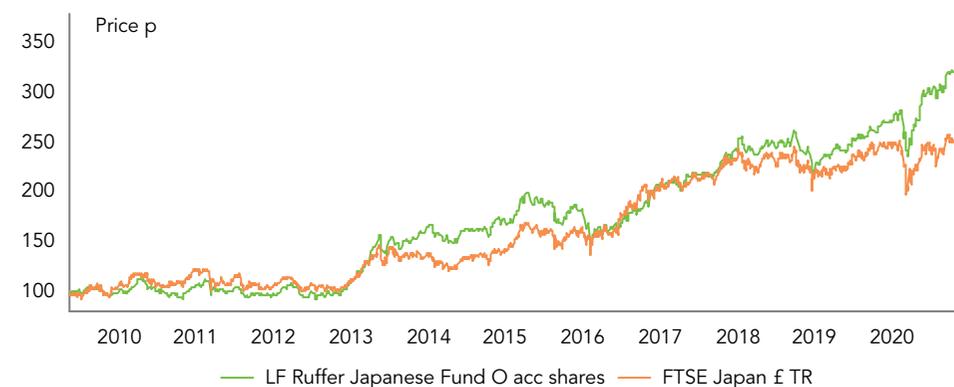
Therefore, our basic view and approach remains the same: a return reversal can happen any time and last for four months or even longer, but it will be a counter trend rather than a new major trend. Our core strategy at this stage of the current stock market cycle continues to be to identify multi-year investment cases which, we hope, will deliver decent performance on a long-term basis. We prefer to sit on our hands through thick and thin, avoiding short-term trading. We think the majority of the fund's 39 stocks to be materially undervalued when looked at through this multi-year lens.

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.

## 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



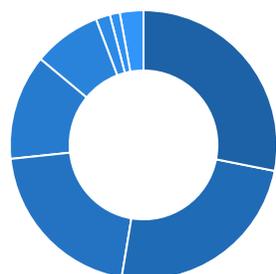
O accumulation shares	Performance %	Share price as at 31 December 2020	p
Q4	12.0	<b>O accumulation</b>	<b>359.17</b>
Year to date	31.5	<b>C accumulation</b>	<b>368.81</b>
1 year	31.5	<b>C income</b>	<b>171.63</b>
3 years	48.0		
5 years	94.9		
10 years	240.9		

12 month performance to December 2020 %	2016	2017	2018	2019	2020
LF Ruffer Japanese Fund O acc shares	12.0	17.6	-8.3	22.7	31.5
FTSE Japan £ TR	22.7	14.4	-7.6	14.8	11.1

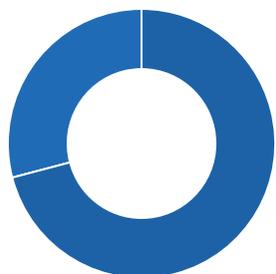
Source: Ruffer LLP, FTSE International (FTSE)†. The performance comparator has changed from the TOPIX to the FTSE Japan Index as Ruffer adopts FTSE as a data provider for all funds.

# LF Ruffer Japanese Fund as at 31 Dec 2020

## Portfolio structure



Asset allocation	%		%
• Industrial	28.2	• Auto	1.7
• Technology	24.4	• Services	1.2
• Healthcare	20.8	• Cash	2.9
• Financial	12.6		
• Consumer	8.2		



Currency allocation	%
• Sterling	70.9
• Yen	29.1

## 10 largest of 39 equity holdings

Stock	% of fund	Stock	% of fund
Sony	5.7	Hoya	4.2
Daiichi Sankyo	5.5	Mitsubishi Electric	4.1
Fujitsu	5.4	Tokio Marine	4.0
ORIX	4.6	M3 Inc	3.9
Keyence	4.6	Lifenet Insurance	3.9

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.

The fund's prospectus and key investor information documents are provided in English and available on request or from [ruffer.co.uk](http://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.

Fund size **£527.5m**

## 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	0.08
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 2020, assets managed by the Ruffer Group exceeded £20.3bn.

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