

# LF Ruffer Japanese Fund

Providing capital growth by investing in a portfolio of Japanese equities



From 1 January to 31 March the price of the fund's O accumulation shares decreased by 10.6% while the FTSE Japan Total Return Index fell by 3.6% in sterling and by 1.2% in yen. The top contributors were Tokio Marine, ORIX, Toyota, GMO Internet and Nexon. The largest negative contributors were Hoya, Keyence, Sony, Rakuten and Sumco.

After moving sideways in December 2021 the Japanese market declined in the new year as foreign investors resumed their net selling, scared off by the Omicron variant whilst discounting ever more US Fed rate hikes. This contrasted to the strong Q3 earnings season ending in mid-February. Aggregate operating profit rose 12% yoy and margins were actually higher than Q2 despite rising input costs. Following this, any optimism on falling covid-19 cases was soon wiped out as attention turned to Russia's military build-up on the Ukrainian border which led to the 24 February invasion. The Nikkei hit its recent low on 9 March recording a fall of 14% in 2022 and 19% since the 21 year high reached in September 2021.

The fund has suffered in this market environment recording its second largest drawdown since inception, down 22% from its all-time high in mid-September to 9 March. These relatively sharp moves are part and parcel of running a single country equity fund with drawdowns over 10% happening on six other occasions during the fund's near 13 year history. Recent moves have presented attractive entry points for many of our existing holdings which are looking especially undervalued.

Our decision to remove the partial currency hedge in December has been a significant detractor, particularly in the last few weeks of March. Confounding those that assume the yen always strengthens in global risk-off scenarios the currency has weakened significantly in the latter part of March. Interest rate differentials have been one driver of this with the Bank of Japan again diverging from other major central banks. Japan's resource poor status means it imports most of its energy. Currency depreciation and the war in Ukraine is a double hit and a cause of so-called 'bad' inflation.

In this environment we think companies with high and stable gross margins are especially important. This is a sign that a company has pricing power and provides a buffer to the bottom line as costs increase. Thin gross margins leave no room for error. We have been steering well clear of these sorts of companies, and thus have largely missed out on the 'value' rotation.

During the quarter, we initiated a position in a gaming company led by high quality management with a number of successful franchises and excellent future prospects. Elsewhere we engaged with our investee companies with March AGMs. We still view governance improvements as a source of upside and continue to push for positive change in the areas of board structure, board composition and remuneration in particular.

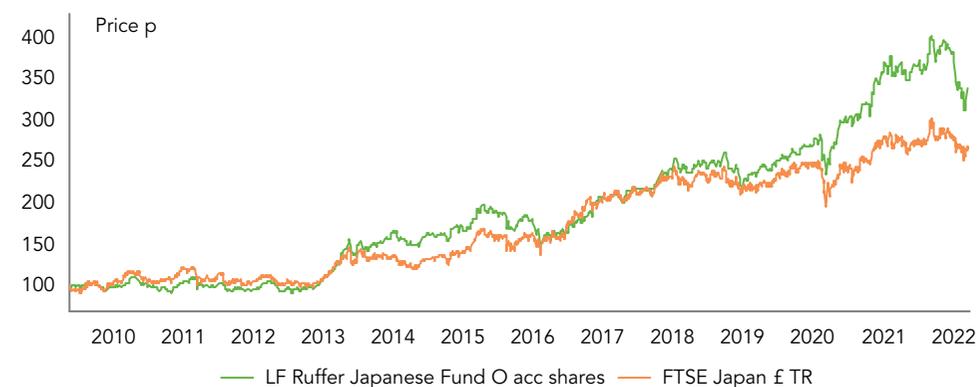
Our view on the stock market cycle remains the same: we are in the late stage of a prolonged bull market which started in March 2009 but was temporarily disrupted by the institutional responses to covid-19 and now the war in Ukraine. We continue to think the combination of liquidity and quality remains important at this stage of the current stock market cycle. Our core strategy continues to be to identify multi-year investment cases which, we hope, will deliver performance on a long-term basis.

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



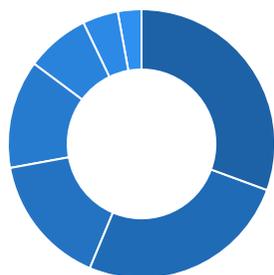
O accumulation shares	Performance %	Share price as at 31 March 2022	p
Q1	-10.6	<b>O accumulation</b>	<b>340.98</b>
Year to date	-10.6	<b>C accumulation</b>	<b>351.47</b>
1 year	-6.7	<b>C income</b>	<b>163.55</b>
3 years	41.1		
5 years	62.9		
10 years	215.0		

12 month performance to March %	2018	2019	2020	2021	2022
LF Ruffer Japanese Fund O acc shares	14.5	0.9	6.1	42.7	-6.7
FTSE Japan £ TR	7.5	-0.9	-2.1	26.3	-2.3

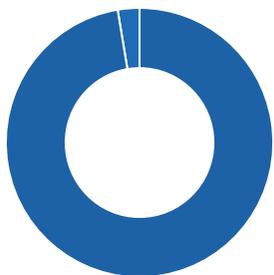
Source: Ruffer LLP, FTSE International (FTSE)†. The performance comparator has changed from the TOPIX to the FTSE Japan Index as Ruffer adopts FTSE as a data provider for all funds.

# LF Ruffer Japanese Fund as at 31 Mar 2022

## Portfolio structure



Asset allocation	%		%
• Technology	30.7	• Consumer	7.8
• Industrial	25.7	• Auto	4.3
• Healthcare	15.7	• Cash	2.8
• Financial	13.1		



Currency allocation	%
• Yen	97.4
• Sterling	2.6

## 10 largest of 33 equity holdings

Stock	% of fund	Stock	% of fund
Fujitsu	6.9	Hoya	5.0
Sony	6.4	Mitsubishi Electric	4.8
Tokio Marine	6.1	NEC	4.3
ORIX	6.1	Toyota Motor	4.3
Daiichi Sankyo	5.3	Keyence	4.1

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

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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 **£400.5m**

## Fund information

	O class	C class
Ongoing Charges Figure*	1.55	1.25
Annual management charge	1.5	1.2
Maximum initial charge	5.0	5.0
Yield	0.00	0.00
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 28 February 2022, assets managed by the Ruffer Group exceeded £25.3bn.

## Dealing line

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