

CF Ruffer Pacific Fund

Consistent positive returns by investing in a diversified portfolio of Asia Pacific securities



August 2017 Issue 166

During the month, the fund rose by 2.2% compared to a 2.9% increase in the FTSE Asia Pacific Index total return, adjusted for sterling.

As we take a longer term view on our investments, 'earnings season' is perhaps of less interest to us than it might be to investors with a shorter term horizon, but this August, when almost all our Hong Kong/China companies have reported their interim results for the six months to June, has been a little different.

Corporate China has been suffering over the past two to three years, due to excess capacity, a slump in growth, low external demand, deflationary pressure, and certain policy measures, among other things, and investors were generally very underweight the market. For Hong Kong listed stocks at least, we felt that there were some real bargains to be found. We noticed working capital discipline at the property developers, and a resurgence in sales, including some of the older inventory. We thought that supply side reform would remove some of the surplus capacity, which would increase prices and therefore reduce losses, or even restore profitability. We thought that the banks would ultimately benefit, because improved profits and cash flow would reduce non-performing loans.

So this earnings season has been very significant, because it has confirmed that there has been a major turnaround in Chinese corporate profits. According to numbers from one of our brokers, based on the majority of companies having reported, first half revenue growth was 18% year-on-year, having been down 4% year-on-year in the first half of 2016, and earnings were up 23%, having been down 12% the year before. Some companies have reported spectacular numbers, and, unlike GDP numbers, we think audited numbers from individual companies are a very reliable indicator. This gives a lot of support to the rally in share prices this year, and we still think that a lot of the companies in the portfolio look good value. As an example, the best performing stock in the portfolio year-to-date is up 113% at the time of writing, but we estimate it is on a PE of 5.7x next year's earnings with a dividend yield of 6%.

Despite this, we cannot help feeling slightly uncomfortable, as we read commentary about the (in some very experienced investors' views) extreme valuations of US equities in particular, combined with unusually high risk tolerance, and issues such as unprecedentedly high exchange-traded fund (ETF) ownership of illiquid asset classes. One of these days, there could be a stampede towards a very small exit, and as we are all too aware from history, panic in financial markets is contagious and Asian stocks, however cheap, will not be immune. We believe the fund is relatively defensive. We have a lot of under-owned stocks (as measured by their relative underperformance, or foreign ownership levels relative to history), quite high cash, and some gold stocks. All of these have been something of a drag on performance this year, and will continue to be if the rally continues. Nonetheless, for the first time in many years, we are considering adding some hedges to the portfolio.

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 CF Ruffer Investment Funds is a UK UCITS. The CF Ruffer Pacific Fund is not registered for distribution in any country other than the UK.

Investment objective

The investment objective of CF Ruffer Pacific Fund is to deliver consistent positive returns by investing in a diversified portfolio of predominantly Asia Pacific equities. The fund may also invest in fixed income securities, 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 in the stated investment and borrowing powers of the Company, with the proportion of the sub-fund invested in each asset class varying over time in line with changes in the Investment Manager's view about their relative attraction and subject to the limitations on investments contained in the prospectus.

Performance since launch on 31 December 2003



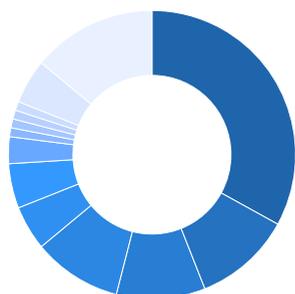
Performance %	August 2017	Year to date	1 year	3 years	5 years	10 years	
O accumulation shares	2.2	9.6	8.2	36.0	90.5	149.6	
Percentage growth (O acc)	%		Share price as at 31 August 2017				p
30 Jun 2016 – 30 Jun 2017	13.9		O accumulation				366.18
30 Jun 2015 – 30 Jun 2016	-5.0		C accumulation				372.11
30 Jun 2014 – 30 Jun 2015	27.1		C income				105.80
30 Jun 2013 – 30 Jun 2014	11.0						
30 Jun 2012 – 30 Jun 2013	18.9						

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

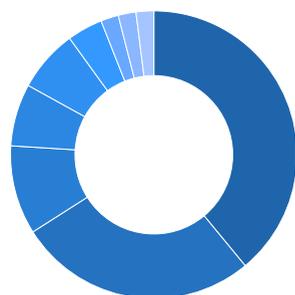
Ruffer performance is shown after deduction of all fees and management charges, and on the basis of income being reinvested. Past performance is not a guide to future performance. The value of the shares and the income from them can go down as well as up and you may not get back the full amount originally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

CF Ruffer Pacific Fund as at 31 August 2017

Portfolio structure



Asset allocation	%		%
China equities	33	Indonesian equities	1
Japan equities	11	Philippines equities	1
Hong Kong equities	10	North America equities	1
Sri Lanka equities	10	Thailand equities	1
Asia Pacific ex Japan funds	5	Gold investments	5
Singapore equities	5	Cash	14
Australia equities	3		



Currency allocation	%		%
Sterling	39	US dollar	4
Hong Kong dollar	27	Philippines peso	2
Sri Lanka rupee	10	Yen	2
Australian dollar	7	Other	2
Singapore dollar	7		

10 largest of 66 equity holdings

Stock	% of fund	Stock	% of fund
Evolution Mining	3.7	Longfor Properties	2.8
China Overseas Land & Investments	3.3	China Mobile	2.7
Anta Sports Products	3.1	PICC Property & Casualty	2.6
Industrial & Commercial Bank of China	2.9	China Life Insurance	2.1
Softbank	2.8	Bank of China	2.1

Source: Ruffer LLP

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 £397.3m

Fund information

	O class	C class
Ongoing Charges Figure*	1.59	1.29
Annual management charge	1.5	1.2
Maximum initial charge	5.0	5.0
Yield	1.05	0.92
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	
Share classes	Accumulation only	
	O class	C class
ISIN	GB0034035328 (acc)	GB00B8BZHC05 (acc) GB00B7GW0G44 (inc)
SEDOL	3403532 (acc)	B8BZHC0 (acc) B7GW0G4 (inc)
Investment adviser	Ruffer LLP	
Sub advisor	Ruffer (Asia) Limited	
ACD	Capita Financial Managers Limited	
Depository	BNY Mellon Trust & Depository (UK) Limited	
Auditors	Grant Thornton UK LLP	
Structure	Sub-fund of CF Ruffer Investment Funds (OEIC) UK domiciled UCITS Eligible for ISAs	

* Refers to accumulation shares

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Fund Manager

Mary McBain
INVESTMENT DIRECTOR



After graduating from Oxford University in 1985, started work at Invesco MIM as a fund manager on the Asian team. After leaving Invesco in 1990, she spent many years living and working in Asia, for GK Goh Securities, Apollo Investment Management and Ballingal Investment Advisors. She joined Ruffer in 2006 and manages the CF Ruffer Pacific Fund.

Ruffer LLP

Ruffer LLP manages investments on a discretionary basis for private clients, trusts, charities and pension funds. As at 31 August 2017, assets managed by the Ruffer Group exceeded £21.6bn, of which over £12.7bn was managed in open-ended Ruffer funds.

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