

LF Ruffer Pacific Fund

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



March 2018 Issue 173

During the month, the fund fell by 1.3% compared to a fall of 4.3% in the FTSE Asia Pacific Total Return Index, adjusted for sterling.

After a respectable rebound in the first half of the month, markets took fright at the prospect of a US/China trade war. On 22 March, President Trump signed a memorandum instructing the US trade representative to apply tariffs on US\$60 billion of Chinese goods, with the rationale being Chinese theft of intellectual property (IP). The Chinese reacted by imposing targeted tariffs on US\$50 billion of imports from the US, mostly agricultural products. The US has also become increasingly wary of Chinese mergers and acquisitions in the US, with the rejection of the Broadcom/Qualcomm deal.

The direct economic impact of this is not huge, and perversely it is more likely to affect other Asian countries, notably Taiwan. Exports to the US account for approximately 2% of China's gross domestic product (GDP). The mooted US\$60 billion in goods exposed to tariffs would account for around 0.2% of China's GDP. US\$60 billion is also tiny for the US: roughly 2% of imports. The 25% import tariff would have an estimated <0.1% impact on US and Chinese GDP in the year following their imposition. There is also the issue of who would hurt most: Chinese manufacturers, US companies operating in China or US consumers. We think the most likely outcome however, is that some tariffs will be imposed and China will make more of an effort to uphold IP. It has also already made some moves to open up its financial sector to outsiders.

China's labour market is currently very tight, with the ratio of jobs to job seekers at a record high of 1.22x. This is what is driving wage growth and therefore consumption. China's demographic profile (ageing and no longer growing) means that this is going to be a long term structural issue. It also makes it easier for the government to continue with its supply-side reform, as there is no longer the pressure to create jobs, and the market can more easily absorb the laid-off workers.

Worryingly, it has been noted that the number of women aged 20 to 29 is going to shrink from over 100m in 2017 to 80m by 2021. This does not bode well for the birth rate going forward, despite the relaxation of the one-child policy. It is likely to mean continued labour market tightness, but we also expect this will be a key driver of automation. We will also be taking a look at what implications this will have for the property sector, to which we are reasonably exposed. For now, housing demand remains strong, even with the number of restrictions in place, but longer term, it seems unlikely that housing supply can continue at the current level.

Inflation has not been a problem for several years, and still looks very much under control. Whether longer term the demographic issues become inflationary, or more of a Japanese-style deflationary phenomenon, remains to be seen.

Investment objective

The investment objective of LF 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 %	March 2018	Year to date	1 year	3 years	5 years	10 years	
O accumulation shares	-1.3	-0.7	6.5	16.5	49.5	133.6	
Percentage growth (O acc)	%		Share price as at 29 March 2018				p
31 Mar 2017 – 31 Mar 2018	6.5		O accumulation				364.63
31 Mar 2016 – 31 Mar 2017	15.9		C accumulation				371.18
31 Mar 2015 – 31 Mar 2016	-5.6		C income				104.37
31 Mar 2014 – 31 Mar 2015	25.2						
31 Mar 2013 – 31 Mar 2014	2.6						

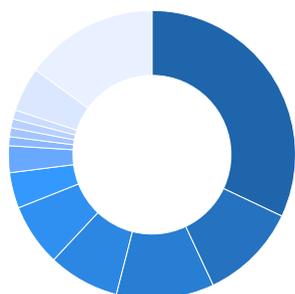
Source: Ruffer LLP, FTSE International (FTSE)†. The performance comparator has changed from the MSCI AC Asia Pacific to the FTSE Asia Pacific Index as Ruffer adopts FTSE as a data provider for all funds.

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 Pacific Fund is not registered for distribution in any country other than the UK.

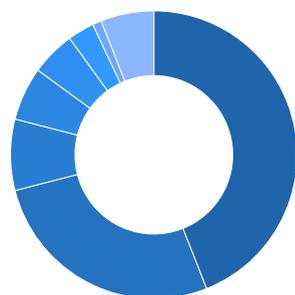
Ruffer performance is shown after deduction of all fees and management charges, and on the basis of income being reinvested. Past performance is not a guide to future performance. The value of the shares and the income from them can go down as well as up and you may not get back the full amount originally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

LF Ruffer Pacific Fund as at 29 March 2018

Portfolio structure



Asset allocation	%	%	
China equities	32	Indonesian equities	1
Japan equities	11	Australia equities	1
Hong Kong equities	11	North America equities	1
Sri Lanka equities	8	Philippines equities	1
Asia Pacific ex Japan funds	7	Gold investments	5
Thailand equities	4	Cash	15
Singapore equities	3		



Currency allocation	%	%	
Sterling	44	Singapore dollar	5
Hong Kong dollar	27	US dollar	3
Sri Lanka rupee	8	Philippines peso	1
Australian dollar	6	Other	6

10 largest of 68 equity holdings

Stock	% of fund	Stock	% of fund
Evolution Mining	4.1	Softbank	2.3
Longfor Properties	3.2	PICC Property & Casualty	2.2
Industrial & Commercial Bank of China	3.0	Dragon Capital Group Vietnam Enterprise	2.2
China Overseas Land & Investments	2.9	VinaCapital Vietnam	2.2
Anta Sports Products	2.7	Swire Pacific	2.1

Source: Ruffer LLP

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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 £403.8m

Fund information

%	O class	C class
Ongoing Charges Figure*	1.58	1.28
Annual management charge	1.5	1.2
Maximum initial charge	5.0	5.0
Yield	0.64	0.94
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	Link Fund Solutions Limited	
Depository	The Bank of New York Mellon (International) Limited	
Auditors	Grant Thornton UK 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

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 LF Ruffer Pacific Fund.

Ruffer LLP

Ruffer LLP manages investments on a discretionary basis for private clients, trusts, charities and pension funds. As at 31 March 2018, assets managed by the Ruffer Group exceeded £22.0bn, of which over £13.6bn was managed in open-ended Ruffer funds.

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