

LF Ruffer Pacific & Emerging Markets

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



September 2019 Issue 185

During the quarter, the fund fell by 2.3% compared to a 1.8% fall in the FTSE All World Asia Pacific ex Japan Index and a 1.6% fall in the FTSE Emerging Index, both adjusted for sterling.

Our usual mantra has been to ignore politics in our area of coverage, unless it is impossible to do so, and from that perspective this summer stands as the worst in our memory for troublesome politics and geopolitics. There have been 17 consecutive weeks now of increasingly violent protests in Hong Kong, and this has seen the valuation gap between China listed A shares and Hong Kong listed H shares at its widest since the Stock Connect opened. We can now buy the same Chinese company stock listed in Hong Kong for 30% less than its mainland counterpart – same company, same earnings, same dividends. Fortunately, while foreigners have tended to sell, mainland investors have been taking advantage of this discrepancy, and have been buying shares through the Connect, without which, stocks might have been hit a lot harder. Then there are the on-off trade negotiations and the broader ideological spat between China and the US, which are having a visible impact on economic growth in Asia and in some cases, a specific impact on certain companies, with the latest example being US discussions around limiting capital flow to Chinese investments. This saw Chinese companies listed in the US fall sharply last week. Add to this mix, tensions in the Middle East, a volatile oil price, and Brexit and its impact on the pound, (which has implications for our currency hedging strategy), and this has been an uncomfortable summer.

Unlike trying to map the course of a normal economic cycle, or assessing the likely trajectory of a company's earnings, which is what we generally concern ourselves with, it is a lot harder to second guess what bombshell what political leader or group is going to drop next. Against this backdrop, we are relieved that the portfolio remains in positive territory for the year, and have to remind ourselves that for most companies, it is still very much business as usual. Some companies will see a direct hit to their earnings, for example tourism-related and retail plays in Hong Kong, or companies which have been impacted by tariffs, but our portfolio has very limited exposure to these. Indeed, during the quarter, one of our holdings has been bid for, at a hefty premium. Some companies or countries even stand out so far as beneficiaries of the tariff war. Vietnam is continuing to see inbound foreign direct investment as an alternative and low tariff manufacturing base to China. One of our Sri Lankan companies is also seizing this opportunity to expand capacity. Even India, which has seen very limited manufacturing investment, might see some improvement, albeit we are concerned that the poor relationship with Pakistan and the move to strip Kashmir of any autonomy could mean that trouble is ahead. Our gold stocks have certainly benefited from wider levels of global uncertainty. Two of the Chinese consumer brands we own have even managed to shrug off short sellers' reports which came out at the end of the last quarter (reports we believed were ill thought out and unreliable), and remain respectively, up 72% and 121% year to date, while a third company is up 168%.

Investment objective

The investment objective of LF Ruffer Pacific & Emerging Markets Fund is to achieve consistent positive returns (net of fees) over a five-year rolling period. The fund will aim to achieve the investment objective by investing in an actively managed portfolio comprising of at least 70% in equities and equity related securities of companies listed, quoted or traded in the Asia Pacific region or Emerging Market countries. The fund will retain an Asia Pacific bias. Under normal circumstances, non-Asian emerging markets will account for not less than 10% and not more than 35% of the fund's investments.

Performance since launch on 31 December 2003



Performance %	Q3	Year to date	1 year	3 years	5 years	10 years
O accumulation shares	-2.3	7.0	1.8	2.4	28.6	96.4
Percentage growth (O acc)	%		Share price as at 30 September 2019			
30 Sep 2018 – 30 Sep 2019	1.8		O accumulation			
30 Sep 2017 – 30 Sep 2018	-3.0		C accumulation			
30 Sep 2016 – 30 Sep 2017	3.8		C income			
30 Sep 2015 – 30 Sep 2016	22.3					
30 Sep 2014 – 30 Sep 2015	2.6					

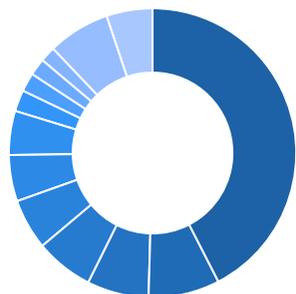
Source: Ruffer LLP, FTSE International (FTSE)†. In July 2018, the LF Ruffer Pacific Fund (RPF) changed its name to the LF Ruffer Pacific & Emerging Markets Fund (RPE) and the investment objective was amended accordingly. Statistics, including performance, for any period prior to 6 July 2018 reflect that of RPF.

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.

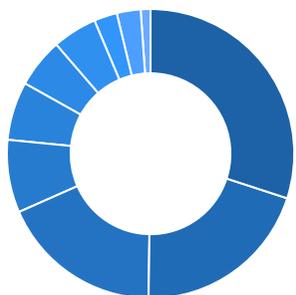
The fund's prospectus and key investor information documents are provided in English and available on request or from www.ruffer.co.uk. Please note that LF Ruffer Investment Funds is a UK UCITS. The LF Ruffer Pacific Fund is not registered for distribution in any country other than the UK.

LF Ruffer Pacific & Emerging Markets as at 30 Sep 2019

Portfolio structure



Asset allocation	%		%
• Hong Kong and China	42.4	• Australia equities	2.6
• Sri Lanka equities	8.1	• Brazil equities	2.0
• Mexico equities	6.9	• Singapore equities	1.9
• Asia Pacific ex Japan	6.6	• Indonesian equities	1.7
• Thailand equities	5.7	• Other	7.1
• Gold investments	5.0	• Cash	5.1
• Japan equities	4.9		



Currency allocation	%		%
• Sterling	30.0	• Australian dollar	2.7
• Hong Kong dollar	18.3	• Singapore dollar	2.6
• Sri Lanka rupee	8.1	• Philippines peso	1.2
• US dollar	6.6	• Other	20.1
• Yen	5.5		
• Gold	5.0		

10 largest of 77 equity holdings

Stock	% of fund	Stock	% of fund
China Overseas Land & Investments	3.1	PICC Property & Casualty	2.5
Vinacapital Vietnam	3.0	China Mobile	2.5
Longfor Properties	2.9	Softbank	2.4
Swire Pacific	2.8	Dragon Capital Group	2.3
Anta Sports Products	2.5	Li Ning	2.2

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 **£398.4m**

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	0.58	0.91
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 GB0034035328 (acc)	C class GB00B8BZHC05 (acc) GB00B7GWOG44 (inc)
SEDOL	3403532 (acc)	B8BZHC0 (acc) B7GWOG4 (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	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

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 August 2019, assets managed by the Ruffer Group exceeded £20.7bn.

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