An introduction to

Ruffer LLP

Discretionary service for financial planners

defaqto

Contents

Offering financial planners something deliberately different

Your clients like making money, and hate losing it. Most will hate losing money more than they like making it.

At Ruffer, this shapes our investment philosophy, and the way we invest. We offer a distinctive all-weather approach, designed to perform well in all market conditions. Our focus is on capital preservation and prudent growth, not chasing short-term fads or trends.

Since we began in 1994, our investment process hasn't changed. For over 20 years, it has delivered solid returns well ahead of cash and UK equities. More importantly, it has protected our clients from the great market crashes, including the bursting of the dotcom bubble and the credit crisis.

We are investors, not financial planners

Our aim is to build relationships with financial planners that allow both you and us to focus on what we do best. These relationships must be built on trust and mutual respect, for the long term.

Financial planners across the UK see our multi-asset approach as an attractive alternative to volatile equity markets.

Discretionary service

Our clients

We look after investments for private clients, financial planners, institutions, and charities, in the UK and internationally. A similar service is provided by Ruffer (Channel Islands) Limited, and this is particularly relevant for clients who prefer to have their assets managed outside the UK. Our investment approach for clients outside of the UK, includes the ability to manage portfolios denominated in a number of different currencies.

Unfortunately, we are unable to offer an investment service to US persons.

For clients with ethical concerns or constraints, we are able to take these into consideration whilst following the Ruffer approach.

Typically we would require around £250,000 for a discretionary managed portfolio. We have alternative options available for smaller amounts.

Direct contact

Each of your clients will have a dedicated portfolio manager. He or she will be responsible for the investment of your client's portfolio as well as all aspects of their relationship with Ruffer.

The portfolio manager is supported by a team, including an investment associate and an assistant.

Reporting and administration

We manage all the administration associated with a portfolio of investments.

On a quarterly basis, a portfolio valuation and investment report are provided and we also offer an online portfolio valuation service updated daily. After the financial year-end we provide comprehensive tax information, which can be sent directly to your client's accountant.

Your clients' securities would be held with leading, independently-regulated, custodian banks. And their cash is held separately, across a number of clearing banks.

Discretionary service

The service we offer at Ruffer is discretionary investment management. This means that, once you have told us about your clients' overall investment objectives and time horizon, they are delegating the decisions on how their portfolio is invested, to us.

In the process of discussing your client's investment objectives and explaining how we manage discretionary portfolios, we may also be classified as giving investment advice. If we do so, the advice will be restricted and will be directly linked to our discretionary investment service. Specifically, we only advise on assets managed by Ruffer.

Fees

We charge a flat annual investment management fee of 1% plus VAT of the assets under management.

There are no dealing charges made by Ruffer, although market execution commissions are payable on some transactions. Ruffer absorbs the cost of all research commissions, rather than passing these on to their clients.

In some cases, our investment management fee is different

- where our service is delivered through a fund, our fee is 1.2% inclusive of VAT
- for portfolios managed by Ruffer (Channel Islands) Limited, our fee is 1.25%

Ratings

Our discretionary investment service has been awarded a five star rating by Defaqto.

SIPP availability

We are currently able to work with the following SIPP providers –

For a segregated portfolio

A J Bell
Curtis Banks
Dentons
James Hay
Mattioli Woods
Michael J Field
Westerby

For a discretionary portfolio,
but not delivered as a segregated mandate, we are also available on

@SIPP
Ashcourt Rowan
Barnett Waddingham
Hornbuckle Mitchell
IPM
Liberty SIPP
Suffolk Life

This list is subject to change, with names being added or removed, potentially without our knowledge.

International bond availability

Axa Life Europe
Canada Life International
Canada Life International Institutional
Friend Provident International
Utmost Wealth Solutions

Investment philosophy

We seek to deliver positive returns in all market conditions. This goal shapes our two investment objectives

- to not lose money in any rolling twelve-month period
- to grow funds at a higher rate than would be achieved by depositing them in cash

If we can achieve this over the medium term, we would hope to outpace the rate of inflation, growing your clients' income and capital and protecting their purchasing power.

Our investment philosophy and approach have remained unchanged since Ruffer started in 1994.

Approach to risk

At Ruffer we seek to manage the absolute risk of losing money, not the relative risk of underperforming the stock market.

This means we are free to operate without any of the distortions and constraints that come with measuring performance against the stock market or benchmarks. For example, we never own shares in a particular sector just because they form a large part of the index, or because they are currently popular.

By contrast, a fund manager focused on relative returns is much more closely tied to the direction of markets.

Consider a year when the stock market falls by 25%. A relative return manager could lose 20% of a client's money and still claim a good relative performance and to have 'outperformed'.

At Ruffer, we take on the responsibility for managing a portfolio's risk, rather than pass the risk on to a stock market or benchmark. If we ever lost 20% of our clients' money, we would have failed.

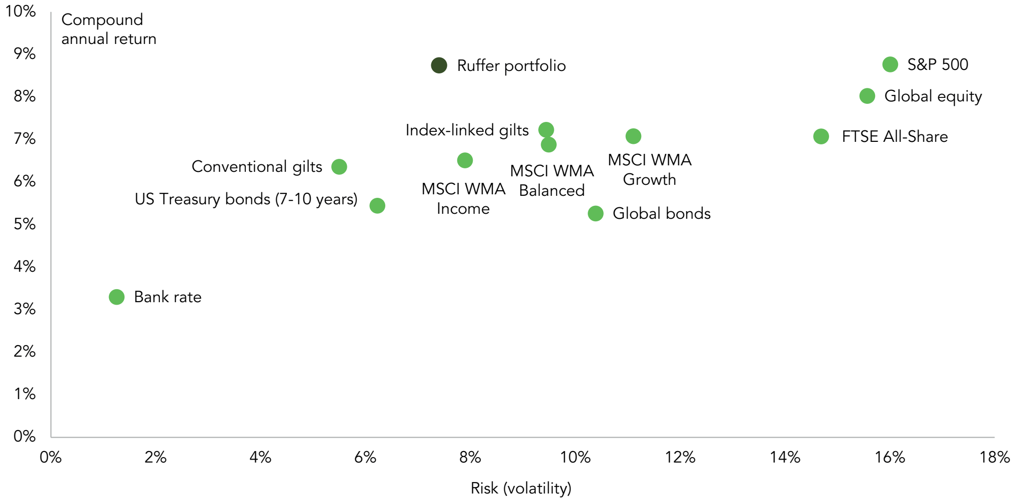
We see cash as the true comparator for our performance: with cash there is minimal risk of capital loss and there are no fees to be paid.

It is important to stress however, that a Ruffer portfolio is very different from cash on deposit. By investing, we take risks, and some components of the portfolio are very risky. At times, we will not meet our objectives and we will lose money, particularly over short periods. We may also misjudge investments or over-estimate the resilience of an investment portfolio.

Because of these risks, Ruffer is not suitable for everyone; we seek to be open and transparent about this.

The chart below illustrates the volatility of a representative Ruffer portfolio since 1995, relative to equity markets, bond markets and private client benchmarks from the Personal Investment Management & Financial Advice Association (PIMFA, formerly the WMA).

Ruffer portfolio compared with indices and benchmarks
23 years, annual returns to 31 December 2018



Volatility is not a complete measure of risk, but provides a basis for comparison.

Source: Ruffer analysis; FTSE Govt All-Stocks Index, FTSE Actuaries British Government Index-Linked All-Stocks Index, UK Bank of England Bank Rate, JPMorgan Global Govt Bond Index, FTSE All-Share Index, FTSE All-World ex-UK Index, MSCI US Treasuries 7-10 years, S&P 500, MSCI WMA Balanced, Growth and Income indices. Performance data is included in the appendix. All figures include reinvested income. Ruffer's representative portfolio is an unconstrained segregated portfolio following Ruffer's investment approach. Ruffer performance is shown in pounds sterling, after deduction of all fees and management charges. Please note that past performance is not a reliable indicator of future performance. The value of investments 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.

Our process

Our starting point when investing is always to consider the prevailing risks and opportunities that we see in financial markets. Our approach is therefore forward-looking and active.

One of our main aims is to ensure that we are not dependent on the direction of markets. To that end, we seek to create a balance of offsetting investments within every portfolio, with 'growth' and 'protective' assets held alongside each other. The protective assets should perform well in a downturn and defend the capital value; those in growth should deliver good returns in favourable market conditions.

No market timing

In an ideal world, a portfolio would be switched from growth to protection at the top of the market, then reversed again at its trough. In the real world, however, nobody can see into the future and determine exactly when this point will be: market downturns often emerge from blue skies, not grey.

Trying to time the market is therefore fraught with danger: switch too early and you miss out on the boom on too long; hang and you get caught up in the bust. At Ruffer, we attempt to remove the need for market timing by always maintaining a blend of offsetting investments in protection and growth.

The team

Our investment team is led by Henry Maxey (Chief Investment Officer) and Jonathan Ruffer (Chairman) and Jon Dye (Head of Research). They are supported by a team of 30 research analysts, who regularly meet with the executive management of the companies and vehicles we invest into in order to fully understand their businesses and strategies.

Our analysts have an average of 15 years investment experience and their considerable expertise, combined with a brief to focus on the most interesting areas, gives us a quality of coverage usually associated with a much larger organisation.

Portfolio construction

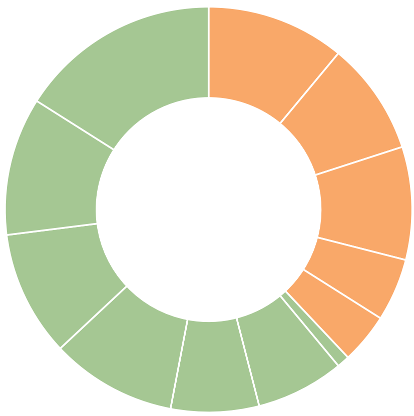
Portfolio managers are responsible for implementing the investment strategy in a client's portfolio, following the Ruffer asset allocation. Individual securities are recommended by Ruffer's research team. The portfolio managers have a degree of freedom in the securities they select, and we see this as a strength of our model. It does mean that different clients have slightly different portfolios, which may lead to small variations in performance.

Asset allocation

Our asset allocation is generated in house. It is the product of a team of senior investment managers and our large in-house research team. It is, however, ultimately determined entirely by Henry Maxey (Chief Investment Officer) and Jonathan Ruffer (Chairman). We think this approach balances a breadth of investment thinking with the benefits of a decisive approach, avoiding the dilution inherent in investment by committee. Internally we describe our approach as a democracy of ideas but an autocracy of decision-making.

Our asset allocation is unconstrained by any index or benchmark weights. Instead our approach is based on a broad assessment of the risks and opportunities observed in the global economy and markets. The observed risks are translated into investments that would stand to benefit from an occurrence of the risk events. These are the investments in protection.

The investments in growth follow the same broad approach and constitute what we regard as the best global opportunities in a favourable environment for growth and equities. The allocations may be geographic, sectoral or thematic, but are again unconstrained by any index or benchmark. The chart below shows the asset allocation for a typical private client portfolio, as at 31 March 2019.



	%
UK index-linked gilts	16
Fixed interest	11
Cash	10
Non-UK index-linked	10
Gold investments	7
Illiquid strategies	7
Options	1

	%
Japan equities	11
UK equities	9
North America equities	9
Europe equities	5
Asia ex Japan equities	4

As at 31 March 2019

Security selection

We conduct our own stock research in-house, as we believe it is too important to leave to external third parties.

Typically, our analysts meet with the executive management of a company or investment vehicle, to understand their business and strategy. They also undertake extensive research trips, visiting the companies and countries in which we might invest.

Types of portfolios

Ruffer provides clients with either a segregated or fund portfolio approach, both of which are invested according to Ruffer's asset allocation.

Segregated portfolios are invested directly in conventional assets such as equities, bonds, currencies and in-house funds. Use of in-house funds will vary depending on client circumstances and may be up to half of portfolio value.

Portfolios are built with the conviction that comes from performing our own research, but they will always include a diversified mix of securities to build the growth and protective positions.

Liquidity

We recognise that clients take comfort from being able to access their capital at short notice, should the need arise.

The majority of securities we invest in are listed and traded on leading exchanges. These can usually be sold quickly, however, a small proportion may have limited trading liquidity. On average 90% of our portfolios could be sold in 10 days.

Illiquid strategies

Where we believe it is in the interest of the client we may invest in illiquid strategies. Before doing so we would ensure their liquidity needs are taken in to consideration. These are rare but on occasion the market can present opportunities for our clients, which can only be capitalised on by locking up some of their capital. At Ruffer we have the flexibility to be able to take up these opportunities. For example in 2009, we were able to buy various credit assets at a substantial discount to their economic value, as unlike others we were willing to hold them to maturity.

Protection strategies

To protect portfolios, we may invest in derivatives, usually options. These are financial contracts with a value that is linked to the performance of another variable, such as an exchange rate, a stock market, an interest rate or the price of a commodity.

While the detailed workings of these derivatives tend to be complicated, the general principle is fairly straightforward. For example, when markets fall, the derivatives we hold to offset this risk should rise in value, thereby helping to protect portfolios.

It is, however, important to highlight that derivatives have a shelf life with a fixed expiry date. When the risks we are protecting against do not actually materialise, derivatives will become worthless. In that respect, they are similar to an unused insurance policy, in that if the insured event does not occur during the life of the policy, the premium has been spent without any return.

Performance and risk

While our track record is strong, it does need to be qualified.

In the 23 years to 31 March 2019, the representative Ruffer portfolio produced an average return of 8.7% a year, after all fees and charges.

During this period, we have preserved our clients' capital through some difficult markets – including the crashes of 2000 to 2003, and 2007 to 2009 – while generating steady, positive returns that have outpaced inflation.

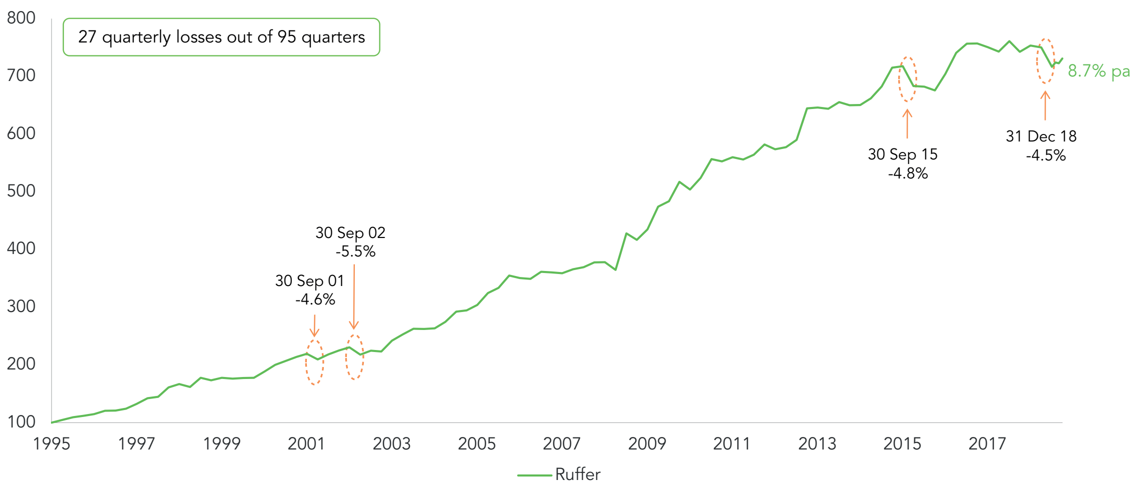
Important caveats

The figures above refer to past performance, which may not be repeated. Our track record should in no way be seen as evidence that our portfolios are immune to shocks or unexpected events. During the next market panic, our protective investments may not protect us; consequently, our future performance may be less than steadfast.

Taking a detailed look at our track record, it is important to highlight the blips. At times, we have lost money during twelve month rolling periods and have therefore failed to meet our first investment objective. These periods are shown on the chart below.

In addition, over shorter periods, we will frequently lose money. For example, we have made losses during 27 of the past 95 quarters; our largest quarterly loss was -5.5%, and we may lose more than that in future.

Long-term performance – quarterly losses



Source: Ruffer. Cumulative performance from 30 June 1995 to 30 September 2018, in pounds sterling. All figures include reinvested income. Performance data is included in the appendix. Calendar quarter data has been used up to the latest quarter end and monthly data thereafter.

Why consider Ruffer?

Distinctive approach

Our investment process uses a range of assets in a different way to most managers, which can be a useful tool for diversification. We aim to protect and grow the value of your clients' assets in all market conditions.

Track record

While past performance is no guarantee of good returns in the future, we have broadly achieved our investment objectives over the past 23 years, delivering on average 9.2% annualised returns since inception.

Culture of service

We are a business that invests in and values its people and has always tried to focus on our clients' best interests. We take our responsibilities with peoples' money very seriously. While these are common sentiments, certain features of the firm corroborate these assertions.

We do not reward our people on either investment performance or the quantity of assets they manage, so every decision has the client's best interests at heart. Each client will also benefit from direct access to their portfolio manager, who make the investment decisions, as we believe this makes them much more accountable for their actions.

Appendix

Founded	1994
Business areas	Just one – discretionary investment management
Number of staff	287
Assets under management	£21.2 billion
Offices	London, Edinburgh, Hong Kong, Guernsey

Ownership and organisation

Ruffer is owned by current and former members of staff. Our business is structured as a limited liability partnership (LLP) and partners share in the profitability of the firm. This structure aligns our interests with those of our clients by emphasising investment returns and client relationships that are sustainable over the long term.

Ruffer is led by a Management Board and structured into three functions: research, fund management and operations. Jonathan Ruffer is our Chairman, Clemmie Vaughan is our Chief Executive and Henry Maxey is our Chief Investment Officer.

Biographies of all our senior staff can be found at ruffer.co.uk.

Management Board

Jonathan Ruffer	Myles Marmion	Robin Hindle Fisher (Non-Executive)
Clemmie Vaughan	Miranda Best	Earl Ferrers (Non-Executive)
Henry Maxey	Paula Walter	Fleur Meijs (Non-Executive)

287 staff, of which 46 are partners of the LLP

Research

Analysts	31
Dealers	5
Economists	2
Support	5

Fund Management

Investment Directors/Managers	45
Investment Associates	26
Support	32

Average experience of 15 years

Support Functions

Operations	37	Risk	10
Finance and Tax	15	IT	28
Legal and Compliance	9	Product	3
Human Resources and Support	10	Facilities	14
Investor Communications	7		

Regulatory performance information

To 31 Mar %	97	98	99	00	01	02	03	04	05	06	07	08
Ruffer	11.0	29.7	7.6	2.6	20.4	5.2	-0.8	17.5	12.2	20.5	1.6	4.8

	09	10	11	12	13	14	15	16	17	18	19
	10.3	24.2	6.8	5.3	10.7	0.9	10.0	-5.5	12.0	-1.9	-1.6

Source: Ruffer. Ruffer performance is shown after deduction of all fees and management charges, and on the basis of income being reinvested. Please note that past performance is not a reliable indicator of 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. Ruffer LLP is authorised and regulated by the Financial Conduct Authority.

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