

# LF Ruffer European Fund

Providing capital growth by investing in a diversified pan-European portfolio



During December, the fund's O accumulation shares increased by 0.6% from 569.11p to 572.79p. This compares to a 0.8% increase in the FTSE Developed Europe in euro terms and a 1.6% increase on a comparable, sterling-adjusted basis. The fund's gross equity exposure was 79.6% at the end of December, with nothing in index put options. At the end of November, the gross figure was 80.3%, with 0.2% in index put options.

2017 was a good year for the global economy, equity markets and the fund. For the first time since the great financial crisis the key regions of the global economy grew in sync; even Europe, for so long the sick man of the world, experienced strong broad-based growth which exceeded consensus expectations. Despite this the +11% total local currency return of the STOXX 600 index of leading European companies was eclipsed by other regions: emerging markets +27%, the US +22%, Japan +21% and the UK +11%. The differentiating force of 2017 was currency: the appreciating euro, a headwind to European stocks and the deprecating dollar, a tailwind to US and emerging markets.

Reviewing the performance of the fund over the past year we observe two contrasting segments. The first, our core stocks, comprising of compounders and special situations (averaging a little less than two-thirds of the portfolio by weight) delivered very strong market-beating returns. Key contributors included vintage holdings such as ORPEA, Comet, Booker and Deutsche Post as well as more recent additions such as Siltronic, Prosegur, Hapag-Lloyd and Infant Bacterial Therapeutics. The second group, made up of UK technology and intellectual property stocks, were a material drag on performance despite many making technical and commercial progress. We continue to reduce the fund's allocation to these riskier investments by focussing on the highest potential, well-capitalised companies.

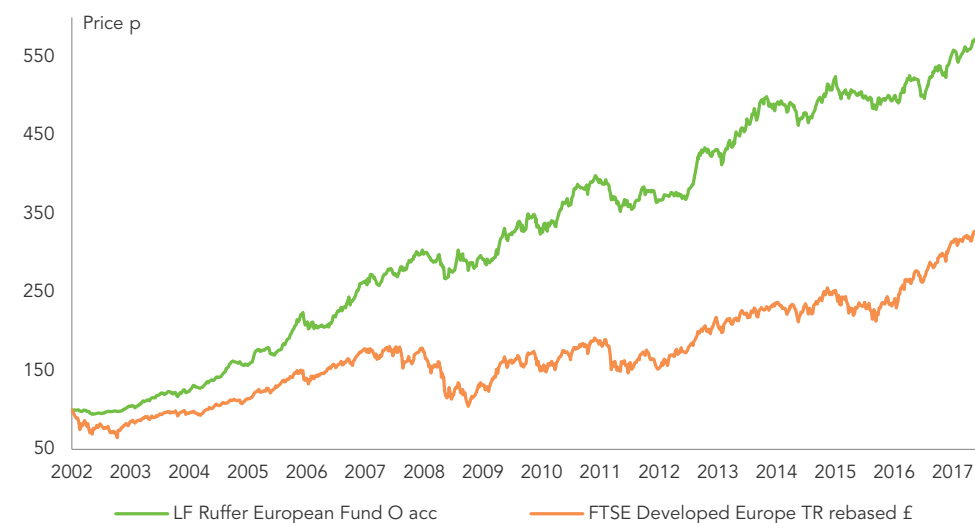
More broadly, in recent years the fund has been managed as a low volatility multi-asset absolute return portfolio. The maximum equity weighing was around eighty percent with the remainder invested in put options, index linked bonds, gold and cash – this construction reduced volatility and drawdown. Going forward our approach to stock picking will remain unchanged. However, the fund's emphasis will shift away from minimising short-term volatility/ drawdown and towards maximising long-term equity returns. In practice this will mean a more selective use of put options, a more concentrated equity portfolio and over time the possibility of a higher equity weighting. However, given valuations are at multi-year highs, now is not the moment for a dramatic increase in equity exposure!

As we look to 2018 we are confident the companies held in the fund can continue to generate attractive returns. Our approach to stock picking remains unchanged: we focus on identifying reasonably priced quality compounders as well as special situations whose valuations can re-rate with improving fundamentals. In addition we are holding cash as 'dry powder', ready to take advantage of turbulence – volatility is the friend, not the foe, of the long-term investor. Finally, thank you to Cosmo Coulter for his stellar ideas and hard work for the fund over the past year.

## Investment objective

The fund aims to provide capital growth by investing in a diversified pan-European portfolio of predominantly equities, though fixed income securities may also be utilised if the Investment Manager believes they will assist in meeting the overall objective of the fund.

## Performance since launch on 5 June 2002



Performance %	December 2017	Year to date	1 year	3 years	5 years	10 years
O accumulation shares	0.6	11.6	11.6	21.0	48.0	107.1

Percentage growth (O acc)	%	Share price as at 29 December 2017	p
31 Dec 2016 – 31 Dec 2017	11.6	<b>O accumulation</b>	<b>572.79</b>
31 Dec 2015 – 31 Dec 2016	4.9	<b>C accumulation</b>	<b>582.15</b>
31 Dec 2014 – 31 Dec 2015	-0.7	<b>C income</b>	<b>107.39</b>
31 Dec 2013 – 31 Dec 2014	23.2		
31 Dec 2012 – 31 Dec 2013	20.5		

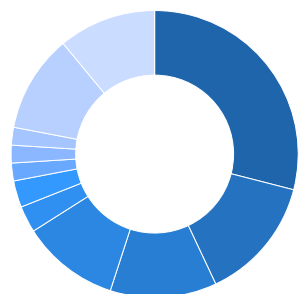
Source: Ruffer LLP, FTSE International (FTSE)†. The performance comparator has changed from the STOXX Europe 600 to the FTSE Developed Europe Index as Ruffer adopts FTSE as a data provider for all funds.

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.

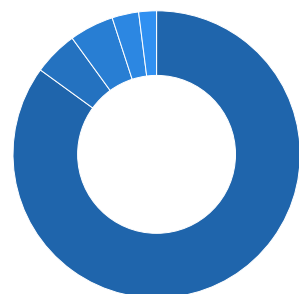
The fund's prospectus and key investor information documents are provided in English and available on request or from [www.ruffer.co.uk](http://www.ruffer.co.uk). Please note that LF Ruffer Investment Funds is a UK UCITS. The LF Ruffer European Fund is not registered for distribution in any country other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

# LF Ruffer European Fund as at 29 December 2017

## Portfolio structure



Asset allocation	%		%
• UK	29	• Switzerland	2
• France	14	• Italy	2
• Sweden	12	• Finland	2
• Germany	11	• UK index-linked gilts	11
• Spain	3	• Cash	11
• Norway	3		



Currency allocation	%
• Sterling	85
• Norwegian krone	5
• Swedish krona	5
• US dollar	3
• Swiss franc	2

## 10 largest holdings (1 bond and 52 equities)

Stock	% of fund	Stock	% of fund
UK Treasury index-linked 0.125% 2019	9.8	Prosiebensat.1 Media	3.1
Autoliv	4.2	Loomis	3.0
Puretech Health	4.1	Kaufman & Broad	3.0
Booker Group	3.4	ORPEA	2.8
Deutsche Post	3.1	Vivendi	2.7

Source: Ruffer LLP

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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.

Fund size £237.2m

## Fund information

%	O class	C class
Ongoing Charges Figure*	1.58	1.28
Annual management charge	1.50	1.20
Maximum initial charge	5.0	5.0
Yield	0.00	0.30
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	
ISIN	O class GB0031678161 (acc)	C class GB00B84JVJ48 (acc) GB00B7KNM781 (inc)
SEDOL	3167816 (acc)	B84JVJ4 (acc) B7KNM78 (inc)
Investment adviser	Ruffer LLP	
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	

Dealing line 0345 601 9610

\*Refers to accumulation shares

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## Fund Managers

### Claire Titmarsh

RESEARCH DIRECTOR

Joined Ruffer in 2005 after graduating with a first class honours degree in economics and finance. Joined the LF Ruffer European Fund team in 2011, becoming co-manager in 2016.



### Simon Mountain

RESEARCH DIRECTOR

Joined the LF Ruffer European Fund team in 2013, becoming co-manager in 2016. Prior to this a strategy consultant at Bain & Company. Worked in PwC's Transaction Services practice advising on European private equity deals. Holds a Masters degree in Manufacturing Engineering from the University of Cambridge.



## Ruffer LLP

Ruffer LLP manages investments on a discretionary basis for private clients, trusts, charities and pension funds. As at 31 December 2017, assets managed by the Ruffer Group exceeded £22.8bn, of which over £14.0bn was managed in open-ended Ruffer funds.

## Enquiries

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