

LF Ruffer European Fund

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



September 2018 Issue 188

During September, the fund's O accumulation shares declined by 1.9% from 604.06p to 592.49p. This compares to a 0.5% increase in the FTSE Developed Europe in euro terms and a flat result on a comparable, sterling-adjusted basis. The fund's gross equity exposure was 88.0% at the end of September, with 8.2% in a FTSE 250 short Exchange Traded Product (ETP). At the end of August, the gross figure was 83.9%, with 0.2% in index put options and 7.6% in the FTSE 250 short ETP.

This month we attended a conference in Munich and travelled to Helsinki and Berlin, seeing a wide range of companies across different sectors. While the outlook for most companies was positive, many mentioned facing rising cost pressures from tight labour markets, supply chain bottlenecks and raw material price increases. Pricing power is important in this environment and is one of the qualities we look for and value. This may come from a high market share, strong brand, or technological edge among other advantages.

Rising trade tensions between the US and China were also acknowledged as a risk, although in reality the experience is mixed with the impact so far seemingly limited to certain pockets of the automotive market. The fund holds three automotive suppliers, Autoliv, Veoneer and TI Fluid Systems. We took profits in all three during the summer, and whilst this helped reduce the impact from the recent correction in the sector caused by trade tariff concerns as well as raw material cost inflation, we certainly felt the consequences of these during September. We will continue to follow developments in China closely given its importance to the world economy. Returning to Europe, the main concerns relate to the challenging negotiation of the UK's withdrawal agreement from the EU and the repercussions from a larger than expected budget deficit in Italy.

This month we have revisited two companies that we sold previously, considering their growth opportunities to be fully valued. Both had also seen their long-standing CEOs decide to leave, to be replaced by external candidates. Management change is not always a cause for concern but can be a potential red flag, and in both cases the new managers have uncovered several problems including underinvestment in research and development, as short-term results were prioritised over the long-term sustainability of the business.

Comet was one of these companies. It has experienced delays in its semiconductor division, a delay in the commercialisation of its e-beam technology (potentially a blockbuster innovation to replace chemical sterilisation, initially in liquid food packaging) and also the need to restructure and reinvest in its x-ray systems business. The high starting valuation left little room for error, and the share price suffered as a result. This is a good example of the rewards of having a strict sell discipline. Comet is a global leader in niche markets with a solid balance sheet, and a plan in place to solve the issues it is facing. We had the opportunity to reinvest at an attractive valuation.

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 %	September 2018	Year to date	1 year	3 years	5 years	10 years
O accumulation shares	-1.9	3.4	4.8	17.3	31.4	111.4

Percentage growth (O acc)	%	Share price as at 28 September 2018	p
30 Sep 2017 – 30 Sep 2018	4.8	O accumulation	592.49
30 Sep 2016 – 30 Sep 2017	8.6	C accumulation	603.52
30 Sep 2015 – 30 Sep 2016	3.0	C income	111.03
30 Sep 2014 – 30 Sep 2015	5.0		
30 Sep 2013 – 30 Sep 2014	6.6		

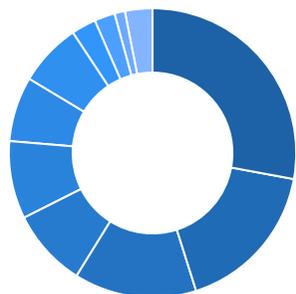
Source: Ruffer LLP, FTSE International (FTSE)†. The performance comparator has changed from the STOXX Europe 600 to the FTSE Developed Europe Index as Ruffer adopts FTSE as a data provider for all funds.

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

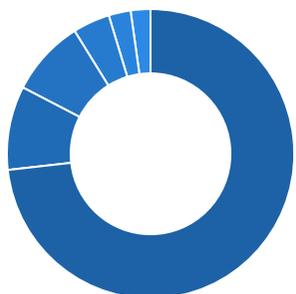
Ruffer performance is shown after deduction of all fees and management charges, and on the basis of income being reinvested. Past performance is not a guide to future performance. The value of the shares and the income from them can go down as well as up and you may not get back the full amount originally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

LF Ruffer European Fund as at 28 Sep 2018

Portfolio structure



Asset allocation	%		%
• UK	27.8	• Finland	7.0
• France	17.3	• Spain	2.6
• Sweden	13.7	• Italy	2.4
• Options	8.8	• Belgium	1.2
• Norway	8.8	• Cash	3.1
• Germany	7.3		



Currency allocation	%
• Sterling	73.1
• Swedish krona	9.4
• Norwegian krone	8.6
• US dollar	4.1
• Swiss franc	2.4
• Euro	2.3

10 largest of 54 holdings

Stock	% of fund	Stock	% of fund
FTSE 250 Short ETP	8.2	Altia Corp	3.7
Yara International	5.7	International Petroleum	3.4
PureTech Health	5.6	Deutsche Post	3.3
GlaxoSmithKline	4.5	ORPEA	3.3
JCDecaux	4.2	Statoil	2.9

Source: Ruffer LLP. Pie chart totals may not equal 100 due to rounding.

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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 **£222.7m**

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	0.29
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	Ernst & Young 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 August 2018, assets managed by the Ruffer Group exceeded £22.1bn.

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