

# LF Ruffer European Fund

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



December 2018 Issue 191

During December, the fund's O accumulation shares declined by 4.5% from 547.86p to 523.40p. This compares to a 5.4% decrease in the FTSE Developed Europe index in euro terms and a 4.4% decrease in sterling terms. For 2018 as a whole the fund's O accumulation shares declined by 8.6%. This compares to a 10.1% decrease in the FTSE Developed Europe index in euro terms and a 9.1% decrease in sterling terms. The fund's gross equity exposure was 87.5% at the end of December, with 10.8% in a FTSE 250 short exchange traded product. At the end of November, the gross figure was 88.1%.

2018 began with high expectations. It followed a year in which for the first time since the great financial crisis all key regions of the global economy grew in sync, driving global equity markets to all-time highs. Whilst the US economy, buoyed by Trump's tax cuts, did not disappoint in 2018, Europe and China did as domestic politics, structural economic imbalances and concerns over global trade raised uncertainty and slowed growth. Equity markets continued rising strongly in January before suffering a sharp sell off in early February. From then on European equity markets wilted before capitulating in the fourth quarter.

If financial markets only had to contend with slowing above trend growth, 2018 may not have been an annus horribilis for investors. However the reaction to decelerating growth was exacerbated by additional rising uncertainties including: the natural level of interest rates, a key reference for equity valuations; the rate of quantitative tightening, impacting market liquidity; trade tariffs and last, but by no means least, Trump's tweets which targeted a broad range of political issues, companies, countries and individuals. In short, markets had plenty to worry about, particularly outside the US.

Turning to the fund, having had a satisfactory performance for the first three quarters, the final quarter was disappointing. The sharp downdraft was driven in particular by exposure to the falling price of oil, cyclical companies and those with China/emerging markets exposure, as well as stocks sensitive to tightening financial conditions. Performance was also diluted by our premature entry into Fresenius Medical Care, a company in which we have high conviction but whose share price has become unhinged from fundamentals. More positively, the share prices of defensive holdings fared well and looking back over the past year it is pleasing to see the significant contribution made by our high conviction positions such as GlaxoSmithKline and PureTech Health.

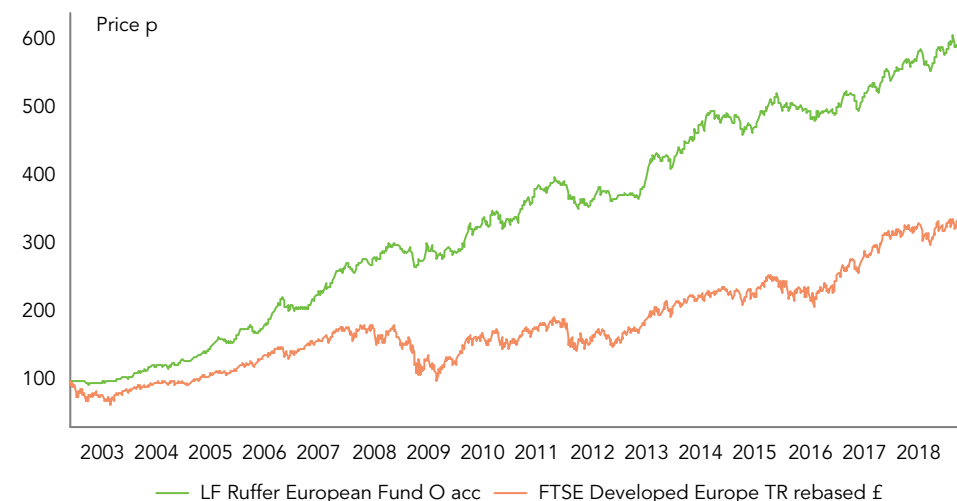
Looking to 2019, whilst economic growth in this cycle has likely peaked, it is not certain that a recession is imminent. We remain confident in our approach to stock picking, which is unchanged: identifying reasonably priced quality compounders and special situations. We are excited about opportunities that market volatility will present and hold cash and the FTSE 250 short as 'dry-powder', primed to buy stocks when valuations reach levels which are out of kilter with economic fundamentals.

In future, this report will be published on a quarterly rather than monthly basis.

## 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 2018	Year to date	1 year	3 years	5 years	10 years
O accumulation shares	-4.5	-8.6	-8.6	5.4	9.7	72.4
<b>Percentage growth (O acc)</b>		<b>%</b>	<b>Share price as at 31 December 2018</b>			
31 Dec 2017 – 31 Dec 2018	-8.6	<b>O accumulation</b>	<b>523.41</b>			
31 Dec 2016 – 31 Dec 2017	11.6	<b>C accumulation</b>	<b>533.57</b>			
31 Dec 2015 – 31 Dec 2016	3.3	<b>C income</b>	<b>98.16</b>			
31 Dec 2014 – 31 Dec 2015	4.9					
31 Dec 2013 – 31 Dec 2014	-0.7					

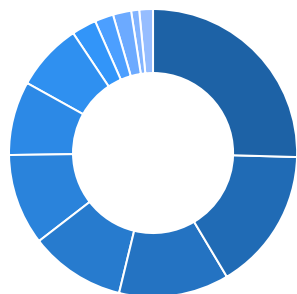
Source: Ruffer LLP, FTSE International (FTSE)†. The performance comparator has changed from the STOXX Europe 600 to the FTSE Developed Europe Index as Ruffer adopts FTSE as a data provider for all funds.

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.

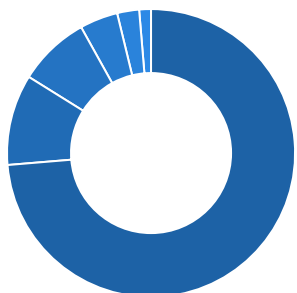
The fund's prospectus and key investor information documents are provided in English and available on request or from [www.ruffer.co.uk](http://www.ruffer.co.uk). Please note that LF Ruffer Investment Funds is a UK UCITS. The LF Ruffer European Fund is not registered for distribution in any country other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

# LF Ruffer European Fund as at 31 Dec 2018

## Portfolio structure



Asset allocation	%		%
• UK	25.4	• Spain	2.7
• France	16.1	• Switzerland	2.3
• Germany	12.2	• Italy	1.9
• Options	10.9	• Netherlands	1.0
• Sweden	10.1	• Cash	1.5
• Norway	8.3		
• Finland	7.6		



Currency allocation	%		%
• Sterling	73.6	• Swiss franc	2.3
• Swedish krona	10.1	• Euro	1.4
• Norwegian krone	8.3	• Other	0.0
• US dollar	4.3		

## 10 largest of 53 holdings

Stock	% of fund	Stock	% of fund
FTSE 250 Short ETP	10.9	GlaxoSmithKline	3.6
PureTech Health	6.1	JCDecaux	3.5
Yara International	5.6	ORPEA	3.3
Fresenius Medical Care	4.2	Vivendi	3.3
Altia	3.8	International Petroleum Corporation	3.1

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 **£183.6m**

## 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	0.22
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	GB0031678161 (acc)	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 30 November 2018, assets managed by the Ruffer Group exceeded £21.1bn.

## Enquiries

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