

# CF Ruffer Equity & General Fund

An actively-managed fund emphasising absolute growth with diversity of risk



October 2017 Issue 179

During the month, the fund's O accumulation shares increased by 1.4%. This compares with a rise of 1.9% in the FTSE All-Share Index.

While this bull market has been one of the longest in history and clearly stocks are not cheap, it is interesting that sentiment is still not ebullient. In September 1970, Milton Friedman wrote an important article in the New York Times titled 'The Social Responsibility of Business is to Increase its Profits'. Friedman summarised his thoughts by stating 'there is one and only one social responsibility of business – to use its resources and engage in activities designed to increase its profits.' The last 47 years have seen the gradual acceptance of Friedman's principles. In particular, since the crisis of 2008, cutting costs and enhancing profitability have been the clear focus of the average CEO. American businesses are the envy of the world. Companies are as efficient as they have ever been, returns on equity are high and profit margins are at record levels. The concept of shareholder value has never been accepted so widely and we have been sharing our thoughts on this during the last two years. The danger for all investors is that while Friedman's principles have been accepted as the roadmap for CEOs, their value to the broader society is being questioned. The debate is now taking place more broadly – even amongst hedge fund managers and 'disruptive' entrepreneurs with Richard Branson most recently arguing 'Milton Friedman had the right idea of saying profit is important, but he should have added "Your people are important. Your culture is important. The moral way that you run your company is important. Your responsibility to society is important."'

The oxymoron is that, while American businesses currently operate as efficiently as ever and stocks are not undervalued, the phenomenon of activist shareholders continues to gain momentum. In a world of zero interest rates, where financial engineering attracts interest, good businesses are being attacked to enhance already superior returns and drive short term profitability. It is somewhat strange that even the likes of Nestlé and ADP, both excellent businesses and expensive stocks, have recently become targets. At the same time, the very low interest rates of the last ten years and low-growth environment have pushed capital to high growth, high return on capital businesses such as the FANGs (Facebook, Amazon, Netflix, Google). As a result, parts of the market have become extremely popular and expensive (the FANG-alikes) and this polarisation has created some interesting opportunities.

We have recently initiated a position in WPP, the global advertising agency. WPP has been suffering from the attack of the activists on the staple companies. The latter have been focusing on enhancing their margins to satisfy their investors and thus, marketing budgets have been cut. Furthermore, while digital marketing is clearly disrupting the traditional model of the agencies, perception is probably much worse than reality. These are people businesses with relatively low fixed costs and we think they will adapt, particularly under strong leadership. As Ben Graham stated, 'price is what you pay; value is what you get'. WPP trades at less than 11x its future earnings and is run by Sir Martin Sorrel, the entrepreneur who built it into a global leader and, in our view, he is likely to do anything in his power to make his business adapt and succeed.

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 CF Ruffer Investment Funds is a UK UCITS. The CF Ruffer Equity & General Fund is not registered for distribution in any country other than the UK.

## Investment objective

The fund aims to provide capital growth by investing in a diversified global portfolio of predominantly equities. The fund is actively managed, and is not constrained by any requirement to track indices or conform to investment fashion.

## Performance since launch on 1 December 1999



Performance %	October 2017	Year to date	1 year	3 years	5 years	10 years
O accumulation shares	1.4	10.9	14.9	20.2	50.1	115.2

Percentage growth (O acc)	%	Share price as at 31 October 2017	p
30 Sep 2016 – 30 Sep 2017	14.2	<b>O accumulation</b>	<b>444.33</b>
30 Sep 2015 – 30 Sep 2016	3.9	<b>O income</b>	<b>412.26</b>
30 Sep 2014 – 30 Sep 2015	-0.4	<b>C accumulation</b>	<b>451.34</b>
30 Sep 2013 – 30 Sep 2014	4.3	<b>C income</b>	<b>416.11</b>
30 Sep 2012 – 30 Sep 2013	19.4		

Source: Ruffer LLP, FTSE International (FTSE)

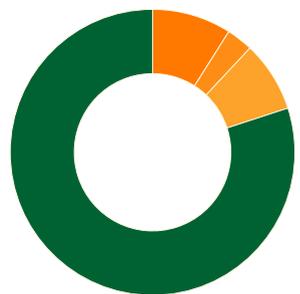
Ruffer performance is shown after deduction of all fees and management charges, and on the basis of income being reinvested. Past performance is not a guide to future performance. The value of the shares and the income from them can go down as well as up and you may not get back the full amount originally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

# CF Ruffer Equity & General Fund as at 31 October 2017

## Portfolio structure



Asset allocation	%
North America	26
UK equities	20
Europe equities	12
Australasia equities	8
Japan equities	4
Cash	30



Currency allocation	%
Sterling	80
US dollar	9
Euro	3
Other	8

## 10 largest of 73 equity holdings

Stock	% of fund	Stock	% of fund
Runge	8.1	Leucadia National	1.7
Science Group	6.7	Novartis	1.7
Imperial Oil	3.8	Phillips 66	1.6
Vivendi	2.0	Milestone Japan Value Fund	1.6
Balfour Beatty	2.0	Scandinavian Tobacco	1.6

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 £148.8m

## 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	0.04
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	
	O class	C class
ISIN	GB0009346718 (acc) GB0009340802 (inc)	GB00B7VZQV57 (acc) GB00B6Y8PL75 (inc)
SEDOL	0934671 (acc) 0934080 (inc)	B7VZQV5 (acc) B6Y8PL7 (inc)
Investment adviser	Ruffer LLP	
ACD	Capita Financial Managers Limited	
Depository	BNY Mellon Trust & Depository (UK) Limited	
Auditors	Grant Thornton UK LLP	
Structure	Sub-fund of CF Ruffer Investment Funds (OEIC) UK domiciled UCITS Eligible for ISAs	

\*Refers to accumulation shares

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## Fund Manager

### Alex Grispos

INVESTMENT DIRECTOR



Graduated from Imperial College with a First Class degree in Mechanical Engineering, started in equity research in 1998 at Alpha Trust in Greece, then worked in venture capital for six years. Joined Top Technology Ventures in the UK, and subsequently became Investment Manager with RTF based in London and St Petersburg, Russia. Joined Ruffer in 2005 and is manager of the CF Ruffer Equity and General Fund.

## Ruffer LLP

Ruffer LLP manages investments on a discretionary basis for private clients, trusts, charities and pension funds. As at 30 October 2017, assets managed by the Ruffer Group exceeded £22.1bn, of which over £13.2bn was managed in open-ended Ruffer funds.

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