

LF Ruffer Equity & General Fund

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



March 2019 Issue 194

During the quarter the fund's O accumulation shares rose by 2.3%. This compares with a rise of 9.4% in the FTSE All-Share Total Return Index.

During late 2018, in line with our investment approach, we gradually added capital to our existing holdings and initiating new positions. For example, we bought Philip Morris International (PM). This is a business we have known for a long time (we used to own PM post the split from Altria in 2007). In 2018 IQOS, PM's 'reduced risk' product, missed expectations. As a result PM's share price significantly declined and traded at an attractive valuation, offering a c 7% dividend yield.

During late December our hedges (on various indices) were acting as a parachute to extreme downside, while we were gradually (and happily) adding to our equity portfolio at lower prices. Nevertheless, the Federal Reserve unexpectedly changed course in the beginning of 2019 and subsequently the stock markets roared higher. The Fed effectively pushed the 'discount rate' lower and asset prices have significantly re-rated. This period has been challenging for us: the combination of higher stock prices with somewhat weakening fundamentals have increased the risk of potential future returns. Thus, we have been increasing our cash balance again. Nevertheless, we are always intensely focused on seeking value wherever we can find it. More recently, this has meant adding to our portfolio companies listed in the UK, an out of favour market. Our exposure to the large liquid US stocks has been declining, while we have been increasing our shareholdings in a few significantly undervalued securities, often smaller capitalisation stocks.

For example, two of our largest holdings, which have not participated in the equity rally in 2019, involve small companies, run by exceptional CEOs who are also key shareholders. We back the entrepreneurs in Science Group and Runge to drive shareholder value over time.

Runge is an Australian software provider to the mining industry. It has been one of the most underpenetrated industries in software and Richard Mathews and his team have been investing heavily in new products. Last year they indicated they wish to transition their model to 'software as a service'. Despite this being the right long-term decision, such transitions often involve disruption to revenues: hence the negative share price reaction in 2018/2019. The business has net cash and the market values it at less than the value of its long-term cash flows from maintenance. The risk-reward is asymmetric and under this management team the odds are high for an exit via a trade sale.

Science Group (SAG) is a research and development consultancy which has significant property value, net cash and has been an astute acquirer of businesses and of its own shares. We back its chairman, Martyn Ratcliffe, an entrepreneur with a unique combination of operational acumen and focus on capital allocation, to make SAG a significantly larger business over time.

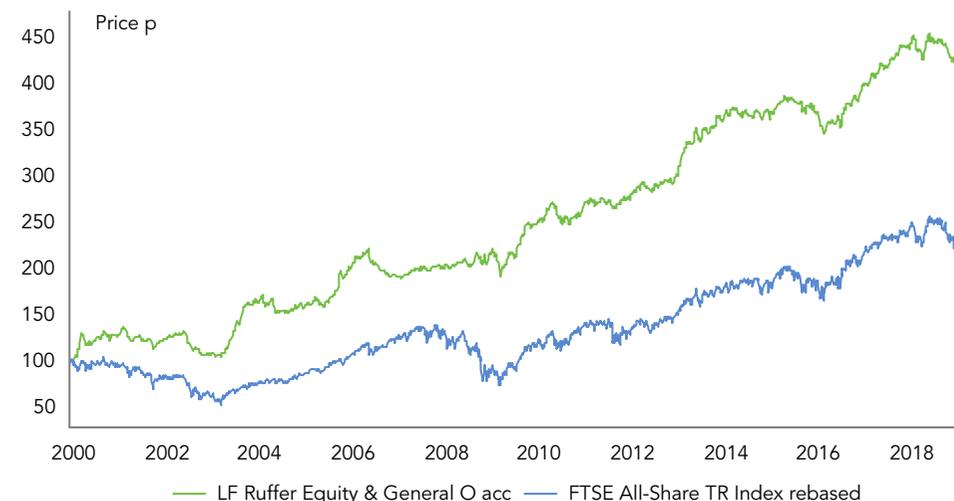
Having the 'capacity to suffer' is an important part of our investment process, clearly easy to talk about, but hard to patiently go through. The current intrinsic value of our portfolio is significantly higher than its market price. We methodically follow our discipline even though our mark to market performance may be volatile.

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 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 %	Q1	Year to date	1 year	3 years	5 years	10 years
O accumulation shares	2.3	2.3	-1.1	17.6	13.6	110.5
Percentage growth (O acc)	%		Share price as at 29 March 2019			
31 Mar 2018 – 31 Mar 2019	-1.1		O accumulation			
31 Mar 2017 – 31 Mar 2018	4.8		O income			
31 Mar 2016 – 31 Mar 2017	13.5		C accumulation			
31 Mar 2015 – 31 Mar 2016	-5.5		C income			
31 Mar 2014 – 31 Mar 2015	2.2					

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.

LF Ruffer Equity & General Fund as at 29 Mar 2019

Portfolio structure



Asset allocation	%		%
● Gold and gold equities	6.5	● North America	20.8
● Options and protection	2.1	● UK equities	20.7
● Options	0.2	● Europe equities	13.6
● Cash	25.0	● Australasia	6.9
		● Japan equities	2.6
		● Asia ex-Japan equities	0.6



Currency allocation	%
● Sterling	76.9
● US dollar	7.4
● Gold	6.5
● Euro	2.9
● Yen	2.6
● Other	3.7

10 largest of 87 equity holdings

Stock	% of fund	Stock	% of fund
Runge	6.9	Milestone Japan Value Fund	2.1
Science Group	6.6	Driver	1.7
iShares Physical Gold	4.2	Balfour Beatty	1.6
Vivendi	3.4	Barrick Gold	1.6
ExxonMobil	2.2	Philip Morris	1.5

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

The views expressed in this report are not intended as an offer or solicitation for the purchase or sale of any investment or financial instrument. The views reflect the views of Ruffer LLP at the date of this document and, whilst the opinions stated are honestly held, they are not guarantees and should not be relied upon and may be subject to change without notice.

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 **£122.5m**

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	0.10
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	GB0009346718 (acc) GB0009340802 (inc)	GB00B7VZQV57 (acc) GB00B6Y8PL75 (inc)
SEDOL	0934671 (acc) 0934080 (inc)	B7VZQV5 (acc) B6Y8PL7 (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	

*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 LF 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 28 February 2019, assets managed by the Ruffer Group exceeded £21.0bn.

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