

# CF Ruffer European Fund

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

During September, the fund's O accumulation shares increased by 1.4% from 557.73p to 565.31p. This compares to a 3.9% increase in the FTSE Developed Europe in euro terms and a 0.8% decrease on a comparable, sterling-adjusted basis. The fund's gross equity exposure was 77.7% at the end of September, with 0.4% in index put options. At the end of July, the gross figure was 77.0%, with 0.7% in index put options.

September witnessed the reversal of several recent trends as bond yields rose, the dollar and sterling strengthened (particularly against the euro) and European equity markets rallied. Meanwhile US markets continued their seemingly inexorable rise and the FTSE 100 remained range bound. We see three implications for the fund: a stronger dollar/weaker euro should be a tailwind to eurozone equities; sterling will remain volatile as expectations of monetary policy, domestic politics and Brexit negotiations ebb and flow; and equity market volatility is likely to rise as investors struggle to price the tension between growth and rising rates.

Turning to equities, two positions contributed strongly to September's performance. The first is Autoliv, a world leader in safety equipment including airbags, seat belts and electronics for autonomous vehicles. We first invested in Autoliv in 2015 seeing value in the strong passive safety market position (double the share of its nearest competitor), little in the price for its electronics business and years of profitable growth ahead as Autoliv gained share from Takata, which had seen over 30 million airbags recalled due to faulty inflators. Whilst the earnings potential from the latter has turned out to be greater than we estimated, we failed to fully appreciate the dilutive impact on near term earnings of the investment required to deliver the growth. The consequence was a series of earning downgrades and under-performance of the stock, which whilst painful, gave us the opportunity to accumulate more shares at attractive prices. In mid-September, Autoliv held an investor day where they outlined the potential of the passive business and announced the electronics division will become a separate company. It has been a bumpy ride, but we are confident the value Autoliv has been creating will now be recognised.

The second significant contributor to performance was International Petroleum Corp (IPC). We often find spin-offs attractive: IPC is an example, spun from Lundin Petroleum in April. IPC was granted cash generative oil and gas assets and given a mandate to grow through operational improvement and acquisitions. An experienced management team and the controlling family's savvy deal making gave us confidence in the strategic potential. At just 1/20th the size of the parent, the stock traded as an orphan. Legacy holders sold and the price fell to a valuation well below that justified by cash generation at prevailing oil prices. Since then three factors have moved in investors' favour: lower production costs, rising oil prices and, most importantly, a large acquisition at an attractive price. This purchase triples the scale of the business with no equity dilution. Having been neglected by the vendor, IPC will use its expertise to optimise efficiency and increase output. We think IPC has a repeatable business model which can compound value over time. That said, with high leverage to the oil price, IPC's share price is likely to be volatile, but as with Autoliv, this can create attractive buying opportunities for investors with a long time horizon.

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 European 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 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 2017	Year to date	1 year	3 years	5 years	10 years
O accumulation shares	1.4	10.2	8.6	17.5	51.1	107.3

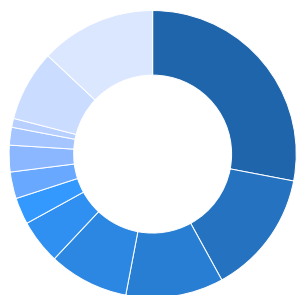
Percentage growth (O acc)	%	Share price as at 29 September 2017	p
30 Sep 2016 – 30 Sep 2017	8.6	<b>O accumulation</b>	<b>565.31</b>
30 Sep 2015 – 30 Sep 2016	3.0	<b>C accumulation</b>	<b>574.12</b>
30 Sep 2014 – 30 Sep 2015	5.0	<b>C income</b>	<b>105.91</b>
30 Sep 2013 – 30 Sep 2014	6.6		
30 Sep 2012 – 30 Sep 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.

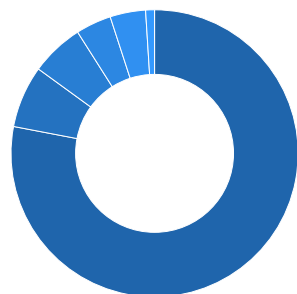
Ruffer performance is shown after deduction of all fees and management charges, and on the basis of income being reinvested. Past performance is not a guide to future performance. The value of the shares and the income from them can go down as well as up and you may not get back the full amount originally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

# CF Ruffer European Fund as at 29 September 2017

## Portfolio structure



Asset allocation	%		%
• UK	28	• Norway	3
• France	14	• Finland	3
• Sweden	11	• Italy	2
• Germany	9	• Options	1
• Switzerland	5	• Cash	8
• Spain	3	• UK index-linked gilts	13



Currency allocation	%
• Sterling	78
• Swedish krona	7
• US dollar	6
• Swiss franc	4
• Norwegian krone	4
• Euro	1

## 10 largest holdings (2 bonds and 53 equities)

Stock	% of fund	Stock	% of fund
UK Treasury index-linked 0.125% 2024	6.4	Booker Group	3.1
UK Treasury index-linked 1.875% 2022	6.3	Deutsche Post	3.0
Autoliv	4.1	Loomis	2.9
Comet	3.2	ORPEA	2.8
Kaufman & Broad	3.1	Statoil ASA	2.5

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 £232.7m

## 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	0.31
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	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	

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 CF Ruffer European Fund team in 2011, becoming co-manager in 2016.



### Simon Mountain

RESEARCH DIRECTOR

Joined the CF 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 September 2017, assets managed by the Ruffer Group exceeded £21.7bn, of which over £12.9bn was managed in open-ended Ruffer funds.

## Enquiries

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