

LF Ruffer European Fund

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



During February, the fund's O accumulation shares decreased by 2.5% from 583.97p to 569.66p. This compares to a 3.9% decrease in the FTSE Developed Europe in euro terms and a fall of 2.8% on a comparable, sterling-adjusted basis. The fund's gross equity exposure was 74.6% at the end of February, with 0.8% in index put options and 4.9% in a FTSE 250 short exchange-traded product. At the end of January, the gross figure was 75.5%, with 0.5% in index put options.

The beginning of February saw a sharp pullback in US equity markets that quickly spread to Asia and Europe. Investors became fixated on US inflation and what this may mean for the US Federal Reserve's policy. Bond yields rose sharply causing a reappraisal of the cost of capital for all equities with, unusually, the share prices of traditional defensive companies falling in-line with cyclicals. We say 'unusually', but this should not be a surprise given that, in the world of ultra-low interest rates, it is the stability of revenues and growth, as well as the security of dividends that has been rewarded above all else. Those companies traditionally characterised as defensive, due to their non-cyclical revenues, including consumer staples, may therefore no longer be defensive investments as a result of their now sky high valuations.

Conversely, in a world with moderate economic growth, those companies where demand for their products is cyclical may be more defensive as a function of their low starting valuations. Oil and automotive are two sectors characterised as being low or reasonably valued with cyclical earnings tailwinds. The fund owns companies in both sectors including Autoliv and TI Fluid Systems in automotive and Statoil, Tethys and IPC in oil. We also initiated a position in a diversified pharmaceutical company where the valuation is low relative to its history and its peers. Companies with structural competitive advantages ('economic moats') should also continue to be defensive in the mid-term. We continue to hold such companies in the fund where valuations are reasonable. One example includes Legrand, where the market structure creates a significant barrier to entry for new competitors and supports continued pricing power.

The reduction in equities and the put option purchased by the fund in January proved fortunate timing. We added additional put protection when it became evident the initial sell off could escalate as the spike in volatility drove risk parity funds to de-risk and sell equities. This was in the form of two short-dated put spreads and a FTSE 250 short exchange-traded product. In this way, the fund remained invested in our high conviction ideas with some of the market risk removed. We also used the setback as an opportunity to selectively add to some of our existing holdings, including Yara and TI Fluid Systems. Time will tell whether this was just a setback, or the start of a painful bear market in equities. At this juncture, the fund retains its protection in order to reduce the risk of permanent impairment of capital.

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 %	February 2018	Year to date	1 year	3 years	5 years	10 years
O accumulation shares	-2.5	-0.5	7.2	14.3	32.9	96.2

Percentage growth (O acc)	%	Share price as at 28 February 2018	p
31 Dec 2016 – 31 Dec 2017	11.6	O accumulation	569.66
31 Dec 2015 – 31 Dec 2016	4.9	C accumulation	579.26
31 Dec 2014 – 31 Dec 2015	-0.7	C income	106.85
31 Dec 2013 – 31 Dec 2014	23.2		
31 Dec 2012 – 31 Dec 2013	20.5		

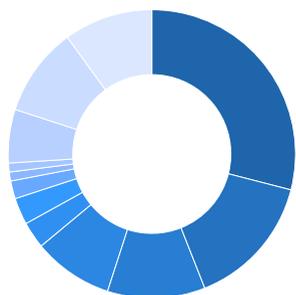
Source: Ruffer LLP, FTSE International (FTSE)†. The performance comparator has changed from the STOXX Europe 600 to the FTSE Developed Europe Index as Ruffer adopts FTSE as a data provider for all funds.

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.

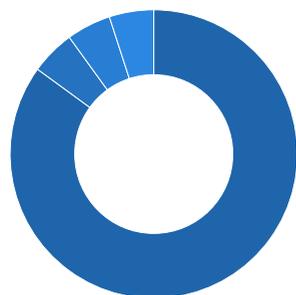
The fund's prospectus and key investor information documents are provided in English and available on request or from www.ruffer.co.uk. Please note that LF Ruffer Investment Funds is a UK UCITS. The LF Ruffer European Fund is not registered for distribution in any country other than the UK.

LF Ruffer European Fund as at 28 February 2018

Portfolio structure



Asset allocation	%		%
• UK	29	• Italy	2
• France	15	• Switzerland	1
• Sweden	11	• Finland	1
• Germany	9	• Options	6
• Spain	3	• UK index-linked gilts	10
• Norway	3	• Cash	10



Currency allocation	%
• Sterling	85
• Norwegian krone	5
• US dollar	5
• Swedish krona	5

10 largest holdings (1 bond and 49 equities)

Stock	% of fund	Stock	% of fund
UK Treasury index-linked 0.125% 2019	9.6	Kaufman & Broad	3.1
FTSE 250 Short ETP	4.9	TI Fluid Systems	3.1
PureTech Health	4.0	Deutsche Post	2.9
Autoliv	3.6	ORPEA	2.7
Booker Group	3.3	Statoil ASA	2.7

Source: Ruffer LLP

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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 £240.3m

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	0.30
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	
Depositary	The Bank of New York Mellon (International) Limited	
Auditors	Grant Thornton UK 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 28 February 2018, assets managed by the Ruffer Group exceeded £22.5bn, of which over £13.8bn was managed in open-ended Ruffer funds.

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