

LF Ruffer European Fund

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



September 2019 Issue 194

During the third quarter of 2019 the fund's O accumulation shares decreased by 0.1% from 597.96p to 597.27p. This compares to a 2.6% increase in the FTSE Developed Europe in euro terms and a 1.4% increase in sterling terms. The fund's gross equity exposure was 85.9% at the end of September with an additional combined 9.1% in FTSE 100 and 250 short exchange traded products and 3.5% in cash. At the end of June the gross figure was 89.6% with an additional 9.0% in the FTSE 250 short exchange traded product and 1.4% in cash.

Equity markets continued to ebb and flow through the quarter. Having started strongly, anticipating further monetary easing by central banks, they fell when the US Federal Reserve failed to meet high expectations, recovered as the US-Sino trade rhetoric softened, before declining again as an impeachment process into President Trump began. Markets are struggling for direction: held back by concerns over the growth outlook, held up by even looser monetary policy and buffeted by political news, trade rumours and economic data.

Despite significant volatility, European equity indices are little changed on a year ago. Beneath the surface however strong currents can be observed. There has been a large divergence between the performance of quality defensive stocks (eg consumer staples) and value stocks (eg industrials). In broad terms quality has outperformed value since autumn 2018 when cyclical growth concerns reemerged. Secondly there has been a divergence between large and small/medium capitalisation stocks. Large caps have outperformed as investors have sought refuge in their greater liquidity.

Given the portfolio's bias towards small/mid-caps the underperformance of this segment is something of a headwind. However, we continue to add to attractively valued small/mid-cap positions, such as AcadeMedia and Comet, confident that their value will be realised in time and that the underperformance of the sector will reverse in due course. The greater challenge – and opportunity – concerns value stocks. Whilst many of these are cheap, the risk of their price falling further remains acute. We currently have value exposure in stocks such as Adecco, Autoliv and Deutsche Post and will continue adding to these and others when there is a compelling disconnect between price and mid-term fundamentals.

Finally, readers who have followed the fund for some time will be aware that we have avoided investments in financial institutions. As a general rule this has served the fund well. Nevertheless, if the facts change it can be prudent to reassess our views. The facts have changed: compared to a decade ago many European banks are considerably de-risked in terms of lending, funding and capitalisation. In recent months European banks' share prices have fallen as economic concerns have risen and interest rates declined. In some instances valuations appear to be discounting unrealistically pessimistic outlooks, particularly if governments begin to use fiscal policy to promote growth. We are not saying we are about to invest a substantial proportion of the fund in financials, however we may take small positions if we see compelling risk/reward.

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 %	Q3	Year to date	1 year	3 years	5 years	10 years
O accumulation shares	-0.1	14.1	0.8	14.8	24.2	86.6

Percentage growth (O acc)	%	Share price as at 30 September 2019	p
30 Sep 2018 – 30 Sep 2019	0.8	O accumulation	597.27
30 Sep 2017 – 30 Sep 2018	4.8	C accumulation	610.23
30 Sep 2016 – 30 Sep 2017	8.6	C income	111.47
30 Sep 2015 – 30 Sep 2016	3.0		
30 Sep 2014 – 30 Sep 2015	5.0		

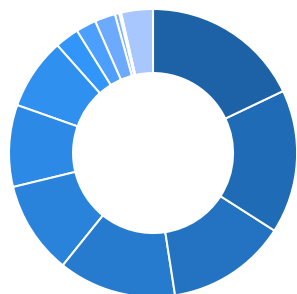
Source: Ruffer LLP, FTSE International (FTSE)†. The performance comparator has changed from the STOXX Europe 600 to the FTSE Developed Europe Index as Ruffer adopts FTSE as a data provider for all funds.

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.

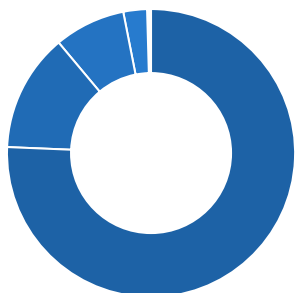
The fund's prospectus and key investor information documents are provided in English and available on request or from www.ruffer.co.uk. Please note that LF Ruffer Investment Funds is a UK UCITS. The LF Ruffer European Fund is not registered for distribution in any country other than the UK.

LF Ruffer European Fund as at 30 Sep 2019

Portfolio structure



Asset allocation	%		%
• UK	17.9	• Switzerland	2.6
• Germany	16.2	• Spain	2.3
• France	13.5	• Italy	2.3
• Sweden	13.2	• Netherlands	0.6
• Finland	10.4	• US	0.2
• Options	9.1	• Cash	3.5
• Norway	8.2		



Currency allocation	%
• Sterling	75.7
• Swedish krona	13.2
• Norwegian krone	8.2
• Swiss franc	2.6
• US dollar	0.2
• Other	0.3

10 largest of 52 holdings

Stock	% of fund	Stock	% of fund
FTSE 250 Short ETP	5.6	Fresenius Medical Care	4.1
Nlyte Software	5.5	PureTech Health	4.0
Yara International	4.8	International Petroleum Corporation	3.5
Raisio	4.2	WisdomTree FTSE 100 1x Daily Short ETP	3.5
Altia	4.2	Equinor	3.4

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 **£182.1m**

Fund information

%	O class	C class
Ongoing Charges Figure*	1.57	1.27
Annual management charge	1.50	1.20
Maximum initial charge	5.0	5.0
Yield	0.00	0.20
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 31 August 2019, assets managed by the Ruffer Group exceeded £20.7bn.

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