

LF Ruffer European Fund

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



September 2020 Issue 198

During the third quarter of 2020, the fund's O accumulation shares increased by 8.3% from 609.19p to 660.04p. This compares to a 0.5% increase in the FTSE Developed Europe in euro terms and 0.3% on a comparable, sterling-adjusted basis. The fund's gross equity exposure was 86% at the end of September with the remaining 14% in cash.

The performance of European equity markets bifurcated in the third quarter. Northern indices crept up whilst those in the South and UK declined. Northern strength reflected greater perceived economic resilience to the pandemic; southern weakness signalled vulnerability to it – particularly tourist dependent countries. Brexit uncertainty continued to affect the UK market. The net effect was to leave the pan-European index unchanged over the quarter and down circa ten percent year to date.

One sector that has defied the pandemic gloom and contributed positively to the fund's performance is ecommerce. Several categories have experienced a step change in demand: penetration of grocery deliveries, meal kits, fashion and home furnishings increased significantly in a matter of weeks. We have spent considerable time over the years researching ecommerce business models and made investments in companies including Asos and Zalando when growth slowed and valuations fell to compellingly attractive levels.

Over the past two years our focus has been on three German ecommerce companies which we felt the market misunderstood: HelloFresh (meal kits), Home24 (furniture) and WestWing (home furnishings). The businesses were founded and listed by Rocket Internet, a controversial investment company which had lost the trust of many investors due to its surprising decisions and opaque communication. All three faced operational challenges following IPO. To make matters worse, Rocket Internet began aggressively selling their remaining shares in each, driving the share prices sharply down and causing other investors to capitulate. HelloFresh fell to less than half its IPO price whilst Home24 and WestWing each fell around 90%. The market considered the business models broken and expected the companies to run out of cash.

When evaluating potential investments we aim to understand in detail both the business fundamentals and investment context. What became clear in all three cases was that the business fundamentals had not materially deteriorated: all had attractive mid-term profitable growth opportunities. What had changed was the investment context: the market had rapidly shifted from giving the businesses the benefit of the doubt to wanting out at any price. Consequently we were presented with an opportunity to invest at very attractive valuations. HelloFresh was priced to raise capital despite prudent analysis proving it would be unnecessary; Home24 as a whole was valued at less than its small Brazilian subsidiary and WestWing's valuation was significantly below the value of the cash on its balance sheet. Over several months we built positions in each of these companies.

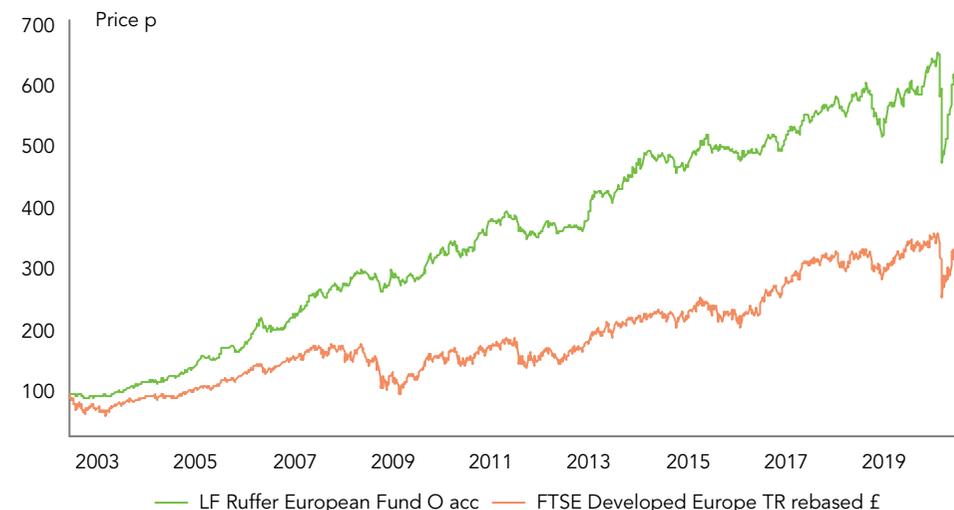
The pandemic has improved the mid-term prospects of all the business. Whilst short-term growth and profitability is flattered, mid-term growth rates should be higher as new customer segments are more quickly and efficiently accessed and weaker offline competitors face bankruptcy. Despite significant share price appreciation the stocks remain attractively valued versus their prospects and peers.

The fund's prospectus and key investor information documents are provided in English and available on request or from 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.

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	8.3	2.4	10.5	16.8	30.7	86.0

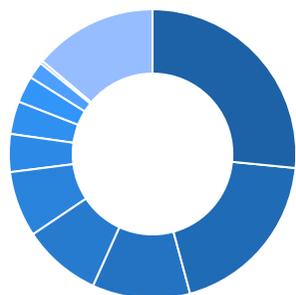
Percentage growth (O acc)	%	Share price as at 30 September 2020	p
30 Sep 2019 – 30 Sep 2020	10.5	O accumulation	660.04
30 Sep 2018 – 30 Sep 2019	0.8	C accumulation	676.40
30 Sep 2017 – 30 Sep 2018	4.8	C income	123.43
30 Sep 2016 – 30 Sep 2017	8.6		
30 Sep 2015 – 30 Sep 2016	3.0		

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.

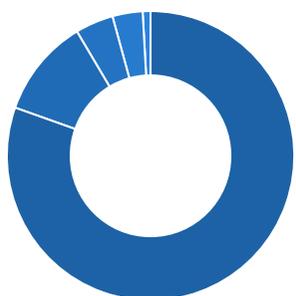
Ruffer performance is shown after deduction of all fees and management charges, and on the basis of income being reinvested. Past performance is not a guide to future performance. The value of the shares and the income from them can go down as well as up and you may not get back the full amount originally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

LF Ruffer European Fund as at 30 Sep 2020

Portfolio structure



Asset allocation	%		%
• UK	26.5	• Spain	3.0
• Germany	19.3	• Italy	1.9
• Sweden	11.0	• Netherlands	0.3
• France	8.8	• Options	0.1
• Finland	7.3	• Cash	13.9
• Norway	4.4		
• Switzerland	3.5		



Currency allocation	%
• Sterling	80.6
• Swedish krona	11.0
• Norwegian krone	4.4
• Swiss franc	3.5
• Euro	0.5

10 largest of 48 holdings

Stock	% of fund	Stock	% of fund
PureTech Health	7.9	Instone Real Estate	3.2
Westwing Group	4.7	Deutsche Post	3.1
Acadamedia	4.3	Yara International	3.0
Nlyte Software	3.6	Raisio	3.0
Rubis	3.5	Comet	2.9

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 **£201.4m**

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	0.06
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 2020, assets managed by the Ruffer Group exceeded £19.9bn.

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