

# LF Ruffer Equity & General Fund

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



December 2020 Issue 201

During the quarter LF Ruffer Equity & General Fund (REG)'s O accumulation shares gained 11.5%. This compares with an increase of 12.6% in the FTSE All-Share Total Return Index (ASXTR). During 2020 REG increased by 5%, while ASXTR declined 9.7%.

In the aftermath of the 2008 crisis until early 2020 (pre-covid), the following happened consistently: US GDP grew at c2%/annum, budget deficit averaged c4.5% (of GDP), while unemployment and inflation remained low. Ten-year bonds in many countries had been trading at negative yields. Since 2014, I had viewed these dynamics as unsustainable, expecting at least one of the variables to exhibit fragility. Hence, we were positioned conservatively with 25-30% cash and hedges (put options). We avoided bonds, viewing them as overvalued. Our equities were mostly 'value'/idiosyncratic, as by 2019, the valuation gap (P/E) between expensive and cheapest stocks in the US became the largest since the 1920s. Nevertheless, capital kept flowing to expensive equities and by 2019 we had sold most 'momentum' stocks missing out on significant gains in many of our former large positions. While a difficult environment for us, it was consistent with our strategy: always to seek investments with asymmetric risk-reward.

In 2020, the Fed's unprecedented intervention, triggered by covid, reinforced these dynamics: bonds and expensive stocks became even more expensive while 'value' lagged further. With aggressive money printing and zero rates, capital flew to 'story' stocks. The epitome of this is Tesla, rising c700% in 2020 to c\$700bn market cap (c15x revenues and c200x profits). While the Fed's policies have led to market participants embracing risky behavior, we have stuck to our principles: continuing to invest in undervalued companies, avoiding 'concept' stocks and hedging market risk (via puts, mainly S&P 500, which has significant weighting in technology and expensive securities).

Despite the stronger prices in 'value' equities in the last few months of 2020, the market is still offering many undervalued stocks. The UK represents the largest part of our portfolio, at c35%. We back exceptional business leaders such as M Ratcliffe at Science Group, L Quinn at Balfour Beatty, R Soames at Serco, S Embley at LSL. Further, we have been adding in Europe at almost 25% of REG, and more recently in Greece. This is the first time we have felt positive towards the Greek market. The market cap of the Athens Stock Exchange represents approximately 25% of Greek GDP, a third of the relative value of many European markets. Greece is run by a pro-business leader and many Greek stocks are currently characterised by asymmetric risk reward.

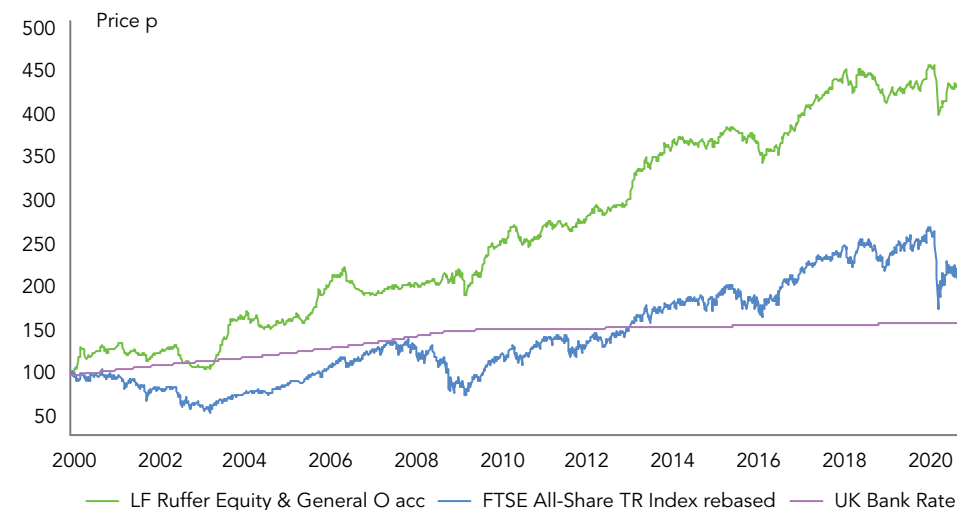
As we have continued to find investment opportunities in this bifurcated market, our cash balance has declined to less than 10%, but our hedging on the indices/protection has been relatively high, at c20% of the fund, always aiming at risk-adjusted returns. REG seeks to generate equity-like returns over the long term, take less risk than the market and avoid permanent loss of capital. During the period we have managed REG (from the beginning of 2008) the return has been 133.5% versus 79.9% for ASXTR. The result over the last 13 years has been a portfolio with relatively low volatility (approximately half that of the market). We always aim to apply the necessary cushion in building and managing our portfolio of 'value' equities.

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.

## 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



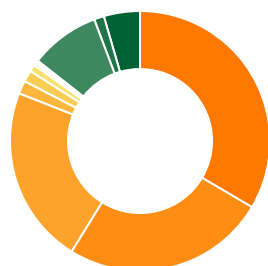
O accumulation shares	Performance %	Share price as at 31 December 2020	p
Q4	11.5	<b>O accumulation</b>	<b>480.83</b>
Year to date	5.0	<b>O income</b>	<b>445.17</b>
1 year	5.0	<b>C accumulation</b>	<b>493.08</b>
3 years	7.9	<b>C income</b>	<b>450.95</b>
5 years	29.4		
10 years	76.1		

12 month performance to December 2020 %	2016	2017	2018	2019	2020
LF Ruffer Equity & General O acc	7.8	11.2	-6.5	9.9	5.0
FTSE All-Share TR Index rebased	16.8	13.1	-9.5	19.2	-9.8
UK Bank Rate	0.4	0.3	0.6	0.8	0.2

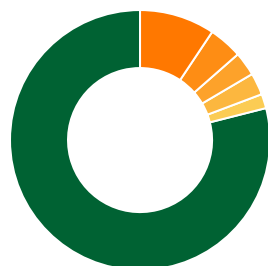
Source: Ruffer LLP, FTSE International (FTSE) †

# LF Ruffer Equity & General Fund as at 31 Dec 2020

## Portfolio structure



Asset allocation	%		%
● Gold and gold equities	4.3	● UK equities	32.1
● Options and protection	1.3	● Europe equities	24.0
● Cash	8.3	● North America	21.2
		● Japan equities	1.6
		● Japan index-linked	1.4
		● Australasia	0.9
		● Asia ex-Japan equities	0.3
		● Other	0.1



Currency allocation	%
● Sterling	78.9
● US dollar	9.2
● Gold	4.3
● Yen	3.0
● Euro	1.8
● Other	2.8

## 10 largest of 99 equity holdings

Stock	% of fund	Stock	% of fund
Science Group	7.9	Attract	2.1
Titan Cement	5.6	Serco Group	2.0
Berkshire Hathaway	3.2	Zegona Communications	1.7
iShares Physical Gold	2.7	Alleghany	1.7
Balfour Beatty	2.4	Coty	1.7

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

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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.

The fund's prospectus and key investor information documents are provided in English and available on request or from [ruffer.co.uk](http://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.

Fund size **£167.9m**

## 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	0.18
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	O class GB0009346718 (acc) GB0009340802 (inc)	C class 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

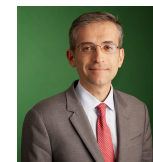
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## Fund Manager

### 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 30 November 2020, assets managed by the Ruffer Group exceeded £20.3bn.

## Dealing line

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