



# CF RUFFER EUROPEAN FUND

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

**JULY 2014**

ISSUE 138

## Share price as at 31 Jul 2014

O accumulation **486.01p**

C accumulation **488.83p**

## Percentage growth (O acc) %

30 Jun 2013 – 30 Jun 2014 18.5

30 Jun 2012 – 30 Jun 2013 12.5

30 Jun 2011 – 30 Jun 2012 -5.0

30 Jun 2010 – 30 Jun 2011 17.9

30 Jun 2009 – 30 Jun 2010 14.0

Source: Ruffer LLP

## IMA sector ranking

(Mixed investment 40–85% shares)

Position/No. of funds

1 year 1/134

3 years 19/122

5 years 13/101

Source: Lipper, Morningstar

## % O class C class

**Ongoing Charges Figure (OCF)** 1.56 1.26

**Annual management charge** 1.50 1.20

**Yield** 0.15 0.46

**Investment adviser** Ruffer LLP

**ACD** Capita Financial Managers Limited

**Depository** BNY Mellon Trust & Depository (UK) Limited

**Auditors** Grant Thornton UK LLP

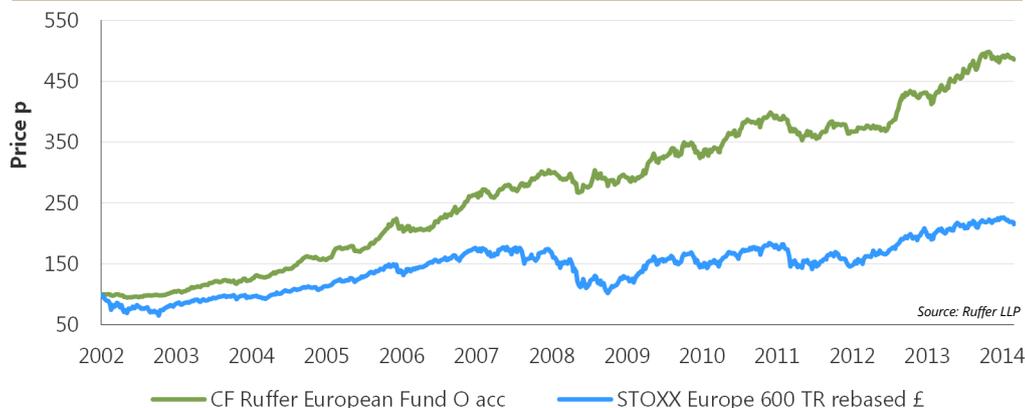
**Structure** Sub-fund of CF Ruffer Investment Funds (OEIC)  
UK domiciled UCITS  
Eligible for ISAs

**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 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



## Monthly review

During July, the fund's O accumulation shares decreased by 1.6%, from 493.70 to 486.01. This compares to a 1.4% decrease in the STOXX Europe 600 in euro terms and a 2.5% decrease on a comparable, sterling-adjusted basis. The fund's equity exposure was 73.5% at the end of July; with 1.1% of that figure in index put options, the underlying 'long' equity exposure figure was 72.4%. At the end of June, the headline figure was also 72.4%, with close to zero in index put options.

Elsewhere in the fund, the index-linked bond weighting increased from 12.3% to 12.6% and the gold bullion weighting remained constant at 1.0%. This left the balancing cash position at 12.9%, compared to 14.3% at the end of June. Addressing currencies, the fund's euro exposure is fully hedged back into sterling; hence the latter's 74% weighting at period end. In addition, the fund holds 12% in Swiss francs, 10% in Swedish kronor, 3% in Norwegian kroner and 1% in US dollars, the latter a function of our gold bullion holding.

The fund's performance in July was driven by two distinct factors. Equities came under pressure due to our overweight exposure to small/mid-caps, which suffered towards the end of the month. However, the protective elements of the portfolio performed strongly, with the DAX put option and euro hedge both proving highly valuable.

After the eurozone convulsions in the summers of 2011/12 and 2013's 'taper tantrum' it felt as though 2014 was shaping up to be a quieter year from a macro perspective

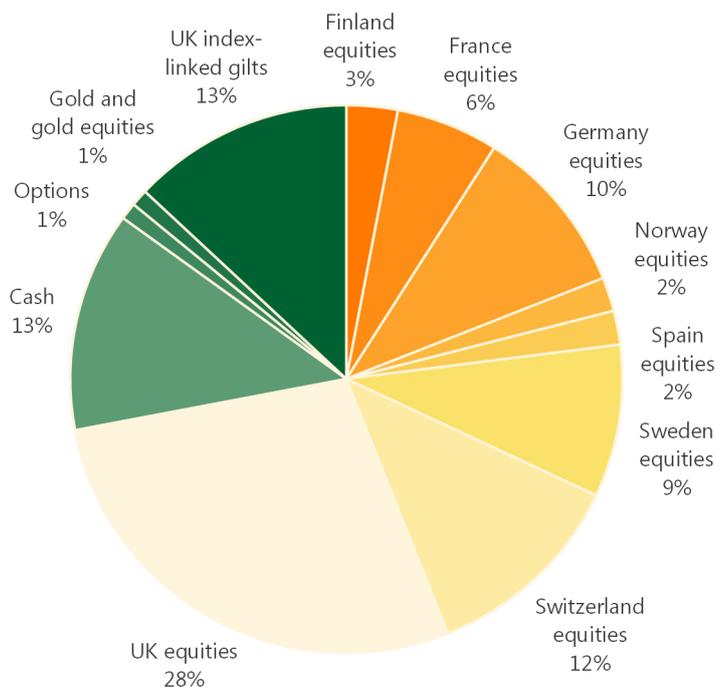
– July put paid to that, with geopolitical events taking centre stage. For Europe the escalating conflict in the Ukraine is of greatest concern.

There is a risk that sanctions are less asymmetric than the West hopes; the German economy in particular is vulnerable given trade with Russia. Regular readers will recall there are currently two specific risks in the portfolio that we are aiming to protect against: euro weakness and a de-rating of European equities should earnings fail to catch-up with the advance of stock prices over the past two years. Both risks are exacerbated by current tensions.

Taking euro risk first, we are concerned the currency remains vulnerable despite having already weakened in recent weeks. If events on Europe's periphery cause a slowdown in core Western European economies, the ECB could yet again act decisively with the euro a potential lightning rod for the market's response. Consequently we intend to continue fully hedging our euro exposure.

It was within the context of a mixed bag of early earning reports and near record high equity prices that we evaluated market risk. Low market volatility in early July felt like the calm before the storm, and as July progressed a growing sense of unease combined with low option prices compelled us to act: in mid-July we invested in a long dated, moderately out of the money DAX put option. At the time it looked good value; sitting now on a very healthy profit our only regret is not buying rather more!

## Portfolio structure of CF Ruffer European Fund as at 31 Jul 2014



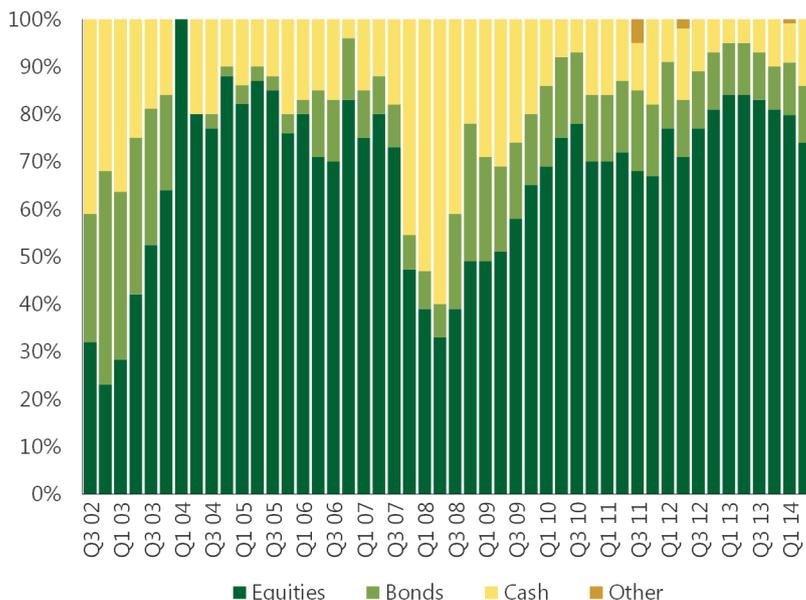
Source: Ruffer LLP

## Ten largest holdings as at 31 Jul 2014

Stock	% of fund
UK Treasury index-linked 1.25% 2017	8.6
Velocys	5.2
IP Group	4.4
UK Treasury index-linked 0.125% 2019	4.0
Loomis	3.7
Aurelius	2.8
Raisio	2.8
ORPEA	2.8
Earthport	2.7
Sika	2.5

Source: Ruffer LLP

## Asset allocation



## Fund information

<b>Fund size</b>	£302.8m (31 Jul 2014)
<b>No. of holdings</b>	63 equities, 2 bonds (31 Jul 2014)
<b>Minimum investment</b>	£1,000
<b>Dealing</b>	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
<b>Dealing line</b>	0845 601 9610
<b>ISIN</b>	O class GB0031678161 C class GB00B84JVJ48
<b>SEDOL</b>	O class 3167816 C class B84JVJ4
<b>Ex dividend dates</b>	15 March, 15 September
<b>Pay dates</b>	15 May, 15 November
<b>Charges</b>	Initial charge 5% Annual management charge O class 1.5%, C class 1.2%



### TIMOTHY YOUNGMAN Investment Director (Europe)

Moved into European equity research in 1985, after a period with McKinsey & Co and at Manchester Business School. He moved from Savory Milln to SG Warburg in 1988, and then to an independent research boutique in 1999, before joining Ruffer in 2003. He co-manages the CF Ruffer European Fund.



### GUY THORNEVILL Investment Director

Began at Threadneedle Investments in 1996 on the US equity desk and as a fund manager. After four years in Paris at Jefferies International as a pan-European stock-picking analyst on the sell side, returned to London in 2007 to work for AllianceBernstein, researching European mid-cap companies. A CFA charterholder, he joined Ruffer in 2009 and co-manages the CF Ruffer European Fund.

## Enquiries

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## Ruffer

The Ruffer Group manages investments on a discretionary basis for private clients, trusts, charities and pension funds. As at 31 July 2014, assets managed by the group exceeded £16.8bn, of which over £7.8bn was managed in open-ended Ruffer funds.