

# LCIV RF ABSOLUTE RETURN FUND

## QUARTERLY SUMMARY October – December 2017



The Sub-fund's objective is to achieve low volatility and positive returns in all market conditions. Capital invested in the Sub-fund is at risk and there is no guarantee that a positive return will be delivered over any one or a number of twelve-month periods.

FUND (Underlying Manager)	Q4	YTD	SINCE INCEPTION	PRICE (Pence)	FUND SIZE £M	INCEPTION DATE	No. of Investors
LCIV RF Absolute Return (Ruffer)	2.65	1.46	13.13	112.2p	£834m	21/06/16	9

Data Source: Bloomberg as at 29/12/2017 – All performance reported Net of fees and charges with dividends reinvested

### Quarterly Performance Summary:

The final quarter of 2017 saw the portfolio deliver an improved performance whilst still maintaining a cautious approach to markets in general. Japanese equities made strong gains, led by banks, life assurance stocks and Sony, whilst index-linked gilts recovered ground lost earlier in the year. More broadly, investors chose to focus more on improving global growth than on political, interest rate or valuation risk, so volatility remained at all-time lows and global equities duly gained about 5% in the quarter.

Overall, 2017 proved to be a year when making money seemed remarkably easy, but protecting our portfolios unusually difficult. This is reflected in the portfolio contributions shown below, where, in a pattern that held for both the fourth quarter and the year as a whole, equities delivered decent gains, but our 'fear' assets, mainly options, were a significant drag on performance. The result is that over the twelve months the portfolio has struggled, in marked contrast to our performance in 2016, whilst almost all others have made hay whilst the sun shone. We are clearly disappointed with the outcome this year, but unrepentant as to the need to hold protection assets. When your primary aim in building long-term returns is the preservation of capital, after an extended bull market we believe abandoning fear in favour of greed would be imprudent, however benign today's weather might seem.

#### Factors that helped performance

Japanese equities Encouraging signs of domestic growth and reflation have helped Japanese stocks to perform without the support of yen weakness. Banks and life insurers made double digit gains, whilst one of our largest holdings, Sony, rose 21% in the quarter, taking it to +55% for the year.

Stock selection Individual stock picks added to performance in the quarter, including recovery prospect Foot Locker (+42%) and Ocado (+35%). Tesco (+12%), dormant all year, came to life after approval of its merger with Booker.

#### Factors that hurt performance

Portfolio protection Options to protect against a rise in volatility or higher bond yields were a drag on performance in a period when both fear and volatility were almost completely absent from markets. Illiquid holdings protecting against a fall in corporate credit markets also had a small negative impact.

### Performance Since LCIV Inception(21/06/2016):



### Management Changes:

There were no changes to management in Quarter 4 2017.

### Quarterly Manager Review Meeting Date:

23<sup>rd</sup> January 2018

Source: Bloomberg as at 29/12/2017

- performance reported Net of fees and charges with dividends reinvested

### Portfolio Characteristics

#### Key Statistics

Number of Holdings	104
Number of Equities	87
Number of bonds	17

Source: Ruffer as at 31/12/2017

### New Purchases During Quarter

#### Asset Name

Foot Locker
Yara International
Ryanair
Japan Post Holdings

Source: Ruffer as at 31/12/2017

### Complete Sales During Quarter

#### Asset Name

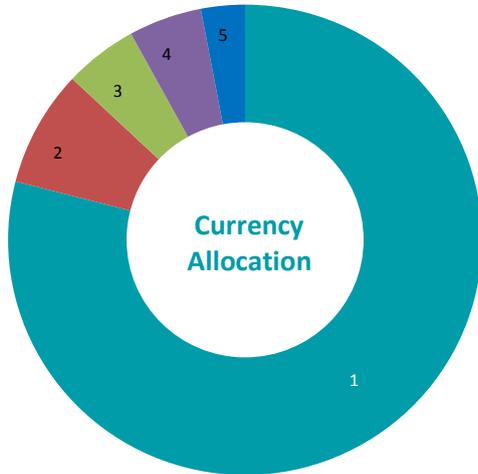
Lamb Weston
Alliance Data Systems
Subaru
Toyota Motor Corp
ITV
Oracle
Lennar

Source: Ruffer as at 31/12/2017

### Five largest positive contributions

Asset Name	% of Portfolio
Japanese financials	+1.2
Index-linked gilts	+0.8
Sony	+0.3
BP	+0.2
Tesco/Booker	+0.2

Source: Ruffer as at 31/12/2017



### Five largest negative contributions

Asset Name	% of Portfolio
Option protection	-0.8
Ruffer Illiquid Multi Strategies 2015	-0.2
Subaru	-0.1
Marks & Spencer	-0.1
Ryanair	-0.0

Source: Ruffer as at 31/12/2017

Currency Allocation		(%)
1	Sterling	79
2	Yen	8
3	US dollar	5
4	Gold	5
5	Other	3

Source: Ruffer as at 31/12/2017

Asset Allocation		(%)
1	UK equities	13
2	Japan equities	7
3	Japan financials	11
4	North America equities	7
5	Europe equities	5
6	Asia ex-Japan equities	3
7	Cash	11
8	Illiquid strategies	2
9	Gold and gold equities	5
10	Non-UK index-linked	15
11	Long-dated index-linked gilts	14
12	Index-linked gilts	7

Source: Ruffer as at 31/12/2017

### Company Engagement

Engagement Type	Company
<b>ESG stewardship activities</b>	Engagement with Japan ESG Strategists after Voting Season
<b>General updates</b>	Ruffer has recently joined the Institutional Investor Group on Climate Change Initiative (IIGCC), a collaborative forum that brings together 146 investors representing over €21 trillion in assets under management (including 9 of the top 10 European pension funds or asset managers).
<b>Company Engagement</b>	<p><b>Mitsubishi Heavy industry (MHI)</b></p> <p>General corporate governance changes and Sustainable Development Goals (SDGs)</p> <p>We met MHI's CFO at the Ruffer offices. The company asked us for feedback on its latest corporate governance structure, board evaluation as well as remuneration for directors. The CFO also highlighted his role at the Japanese Business Federation 'Keidanren' where he is leading corporate Japan's efforts on implementing and committing to the Sustainable Development Goals.</p>

Source: Ruffer as at 31/12/2017

### Important information

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