

LF Ruffer Total Return Fund

Positive absolute returns with low volatility



During December the fund price rose by 1.0%. This compares with a rise of 4.8% in the FTSE All-Share Index and 1.4% in the FTSE Government All-Stocks TR Index.

So how should one characterise the fund's performance for the year? The return of 2.4% in the final quarter was respectable given our investment objectives, but did not make up for an otherwise disappointing year when we only managed to eke out a return of 0.6%. In 2017 all major asset classes rose in value, and data for the last 90 years reveals it as being the only year in which US equities, measured by the S&P index, rose every month. With volatility nailed down at multi-decade lows, momentum was unsurprisingly the most successful investment style. In terms of our equity selection, our upbeat economic views, plus consideration of valuation, took us towards cyclical and financial stocks and away from the 'bond like' equities and technology darlings that provided the market leadership. We were right on the economy, but, in hindsight, wrong that the rise in bond yields that greeted the Trump victory in November 2016 would fizzle out quite so early in 2017 and not revive. While others made far superior returns, we do not regret the positions we held. Reflecting our primary investment objective of capital preservation, we will always hold protective assets; the difference these days in a world of zero interest rates is that they have a cost rather than yielding a small positive return.

In the last month, President Trump finally chalked up a legislative victory through his tax reform bill. Its headline feature is a reduction in the US corporation tax rate from 35% to 21%; further measures within the package reduce capital allowances over time, and therefore may spur an acceleration of capital expenditures in 2018. For this and other reasons, some have seen the legislation as providing economic stimulus to an economy already near its capacity limits, and therefore as taking unnecessary risks with inflation and the public finances. Indeed, companies such as Wells Fargo, AT&T and Comcast are all raising employee earnings as a direct response to the measures. Be that as it may, markets preferred to look on the bright side, taking equity and commodity prices generally higher through the month, while bond yields remained broadly quiescent.

As we enter 2018, much of the commentary seems to call for more of the same in terms of the investment backdrop. While we are no more competent at market timing than the next person, we feel such an outcome is unlikely, not least given the fact that stability has the inconvenient propensity of begetting instability. If economic growth surges, inflationary bonfires emerge and central banks are deemed to be behind the curve, then our equity selection and interest rate swaptions should perform. If the 'Minsky moment' arrives, and markets fall sharply then while the fund's equity holdings will not be immune from damage, our equity protections should soar in value. If there is an economic relapse, then the likely fiscal response will boost inflation expectations. While the portfolio obviously cannot prepare for every eventuality, we are trying to address the difficult questions that others are shying away from and we would like to think that at least some of the major risks are covered, whilst leaving enough on the table to generate positive returns going forward.

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 Total Return Fund is not registered for distribution in any country other than the UK. In line with the Prospectus, it is possible that at any one time the LF Ruffer Total Return Fund may invest more than 35% of its assets in transferable securities issued or guaranteed by an EEA state, one or more local authorities, a third country or a public international body to which one or more EEA States belong. The only aforementioned securities where Ruffer would currently consider holding more than 35% would be UK or US government issued transferable securities.

Investment objective

The fund aims to achieve low volatility, positive returns from an actively managed portfolio of different asset classes, including equities, bonds and currencies. Capital invested 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. The fund may also invest in collective investment schemes, cash, money market instruments, other transferable securities and derivatives and forward transactions. Pervading this objective is a fundamental philosophy of capital preservation.

Performance since launch on 29 September 2000



Performance %	December 2017	Year to date	1 year	3 years	5 years	10 years	
O accumulation shares	1.0	0.6	0.6	13.7	31.5	106.6	
Percentage growth (O acc)	%		Share price as at 29 December 2017				
31 Dec 2016 – 31 Dec 2017	0.6		O accumulation				439.43
31 Dec 2015 – 31 Dec 2016	13.7		O income				295.58
31 Dec 2014 – 31 Dec 2015	-0.6		C accumulation				446.63
31 Dec 2013 – 31 Dec 2014	5.7		C income				300.57
31 Dec 2012 – 31 Dec 2013	9.3						

Source: Ruffer LLP, FTSE International (FTSE)

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 Total Return Fund as at 29 December 2017

Asset allocation



Currency allocation



Asset allocation

Asset allocation	%
● Non-UK index-linked	14
● Long-dated index-linked gilts	14
● Index-linked gilts	6
● Cash	11
● Gold and gold equities	5
● Illiquid strategies	3
● Japan equities	18
● UK equities	14
● North America equities	7
● Europe equities	5
● Asia ex-Japan equities	3

Currency allocation

Currency allocation	%
● Sterling	78
● Yen	8
● US dollar	5
● Gold	5
● Other	4

10 largest of 87 equity holdings*

Stock	% of fund
Mitsubishi UFJ Financial	2.2
BP	2.0
Vivendi	1.9
Lloyds Banking Group	1.9
Sumitomo Mitsui Financial	1.8
Dai-ichi Life Insurance	1.8
T&D	1.7
Sony	1.7
Tesco	1.2
HeidelbergCement	1.1

5 largest of 15 bond holdings

Stock	% of fund
UK Treasury index-linked 1.875% 2022	4.0
US TIPS 0.125% 2022	3.9
UK Treasury index-linked 1.25% 2055	3.9
UK Treasury index-linked 0.375% 2062	3.8
US TIPS 1.25% 2020	3.2

*Excludes holdings in pooled funds
Source: Ruffer LLP

The views expressed in this report are not intended as an offer or solicitation for the purchase or sale of any investment or financial instrument. The views reflect the views of Ruffer LLP at the date of this document and, whilst the opinions stated are honestly held, they are not guarantees and should not be relied upon and may be subject to change without notice.

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 £3,160.1m

Fund information

%	O class	C class
Ongoing Charges Figure	1.53	1.23
Annual management charge	1.50	1.20
Maximum initial charge	5.0	5.0
Yield	1.54	1.53
Minimum investment		£1,000
Ex dividend dates	15 Mar, 15 Sep	
Pay dates	15 May, 15 Nov	
Dealing	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	
	O class	C class
ISIN	GB0009684100 (acc) GB0009684878 (inc)	GB00B80L7V87 (acc) GB00B58BQH88 (inc)
SEDOL	0968410 (acc) 0968487 (inc)	B80L7V8 (acc) B58BQH8 (inc)
Investment adviser	Ruffer LLP	
ACD	Link Fund Solutions Limited	
Depository	The Bank of New York Mellon (International) Limited	
Auditors	Grant Thornton UK LLP	
Structure	Sub-fund of LF Ruffer Investment Funds (OEIC) UK domiciled UCITS Eligible for ISAs	

Dealing line 0345 601 9610

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Fund Managers

Steve Russell

INVESTMENT DIRECTOR

Graduated from Oxford in PPE and started work as an equity analyst at Confederation Life in 1987, progressing to Head of Equities. In 1999 he moved to HSBC Investment Bank as Head of UK and European

Equity Strategy, before joining Ruffer in 2003. He is also co-manager of the Ruffer Investment Company.



David Ballance

INVESTMENT DIRECTOR

Previously International Equities Head at Rothschild Private Management, he graduated from Oxford and was a Senior Investment Manager at Allied Dunbar, before moving to Threadneedle as Head of European Equities. He joined Ruffer in 2006.



Ruffer LLP

Ruffer LLP manages investments on a discretionary basis for private clients, trusts, charities and pension funds. As at 31 December 2017, assets managed by the Ruffer Group exceeded £22.8bn, of which over £14.0bn was managed in open-ended Ruffer funds.

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