

# LF Ruffer Total Return Fund

Positive absolute returns with low volatility



March 2018 Issue 182

During March, the fund price fell by 1.0%. This compares with a fall of 1.8% for the FTSE All-Share Total Return Index and a rise of 2.0% for the FTSE Government All-Stocks Index (all figures total returns in sterling).

The main news flow during the month related to good old-fashioned geopolitical tensions. Although diplomatic relations between the West and Russia had little impact on markets, the risk of President Trump's tariff chatter becoming a reality did have a meaningful impact as the possibility of trade wars became more likely. Technology stocks also suffered, led by Facebook as the company came under scrutiny for the (mis)use of customer data.

Perhaps the most significant feature of financial markets in both February and March has been the scarcity of hiding places. Many traditional safe-havens failed to perform. In sterling terms, gold, gilts, treasuries, the dollar and the Swiss franc have all fallen in value since the start of the year. For most of the last 30 years (the career span of most fund managers) simply holding a portfolio of equities and bonds has worked well (with a couple of notable exceptions). The promise of central bank support has encouraged and sustained rises in asset prices, whilst at times of distress, negative bond-equity correlation has ensured a portfolio of equities and bonds would be sufficient to make at least some headway. More recently zero interest rates have suppressed yields while also driving up equity values. This has resulted in a significant increase in the correlation between equities and bonds, which has substantially reduced the effectiveness of traditional offsetting assets. For this reason, we have stressed the importance of some of the more esoteric parts of the portfolio, principally the option exposure and credit default swaps. We think that recent correlation is here to stay and, if we are right, these assets will have an important role to play. Our option exposure is positioned to protect from large market moves not bumps in the road. The latter would likely result in a zero-sum game or worse, and we prefer to focus on what we fear will be the significant inflection points.

Where do we go from here? The bulls will view the 7% fall in global equities in the last ten weeks as a bump in the road. The bears fall into two camps. On the one hand, this is the late stage of the economic cycle and valuations look unjustifiably high. On the other, the combination of recent fiscal stimulus on top of an overheating US economy will lead to a spike in inflation and bond yields, undermining the argument that high valuations in equities can be justified by low interest rates. We would fall into the latter camp, yet remain cognisant of the fact that economic growth could remain robust. In this case, we want our equities to benefit and hence the bias towards cyclical stocks. In the very short-term, the summary of Nick Carn of Carn Macro Advisors seems apt: markets will continue to behave in a way that disappoints the bulls and frustrates the bears. After February's sell-off (on seemingly good economic news), we should all be careful what we wish for.

The fund's prospectus and key investor information documents are provided in English and available on request or from [www.ruffer.co.uk](http://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 %	March 2018	Year to date	1 year	3 years	5 years	10 years	
O accumulation shares	-1.0	-2.6	-1.7	5.7	16.4	92.5	
Percentage growth (O acc)	%		Share price as at 29 March 2018				p
31 Mar 2017 – 31 Mar 2018	-1.7		O accumulation				427.81
31 Mar 2016 – 31 Mar 2017	12.8		O income				286.03
31 Mar 2015 – 31 Mar 2016	-4.7		C accumulation				435.14
31 Mar 2014 – 31 Mar 2015	11.8		C income				291.09
31 Mar 2013 – 31 Mar 2014	-1.6						

Source: Ruffer LLP, FTSE International (FTSE)

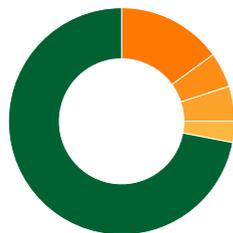
Ruffer performance is shown after deduction of all fees and management charges, and on the basis of income being reinvested. Past performance is not a guide to future performance. The value of the shares and the income from them can go down as well as up and you may not get back the full amount originally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

# LF Ruffer Total Return Fund as at 29 March 2018

## Asset allocation



## Currency allocation



## 10 largest of 78 equity holdings\*

Stock	% of fund
Tesco	2.0
Mitsubishi UFJ Financial	1.9
Sumitomo Mitsui Financial	1.7
Sony	1.7
Vivendi	1.6
Dai-ichi Life Insurance	1.5
T&D	1.5
BP	1.4
GlaxoSmithKline	1.1
Lloyds Banking Group	1.0

## 5 largest of 17 bond holdings

Stock	% of fund
UK Treasury index-linked 1.875% 2022	4.0
UK Treasury index-linked 1.25% 2055	4.0
UK Treasury index-linked 0.375% 2062	3.9
US TIPS 0.125% 2022	3.8
US TIPS 1.25% 2020	3.1

\*Excludes holdings in pooled funds  
Source: Ruffer LLP

## Asset allocation

Non-UK index-linked	17
Long-dated index-linked gilts	14
Index-linked gilts	6
Short-dated bonds	3
Cash	12
Gold and gold equities	5
Illiquid strategies	4
Options	1

Japan equities	16
UK equities	12
North America equities	5
Europe equities	3
Asia ex-Japan equities	2

Currency allocation	
Sterling	72
US dollar	15
Yen	5
Gold	5
Other	3

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 £3,150.9m

## Fund information

%	O class	C class
Ongoing Charges Figure	1.55	1.25
Annual management charge	1.50	1.20
Maximum initial charge	5.0	5.0
Yield	1.59	1.58
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)	GB00B80L7V87 (acc)
	GB0009684878 (inc)	GB00B58BQH88 (inc)
SEDOL	0968410 (acc)	B80L7V8 (acc)
	0968487 (inc)	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

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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 March 2018, assets managed by the Ruffer Group exceeded £22.0bn, of which over £13.6bn was managed in open-ended Ruffer funds.

## Enquiries

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