

LF Ruffer Total Return Fund

Positive absolute returns with low volatility



During May, the fund price rose by 1.1%. This compared with a rise of 2.8% in the FTSE All-Share Index and an increase of 1.8% in the FTSE Govt All Stocks Index (all figures total returns in sterling).

The two largest drivers of returns in May were UK equities and oil-related stocks. We have previously discussed the prospect that UK equities, both domestic and international businesses, presented opportunities as global investors have given them a wide berth. The combination of improving (or not deteriorating) UK economic data and the Bank of England not opting to raise interest rates helped during the month. Positions in both BP and Royal Dutch Shell benefited from rising oil prices, whilst Ocado signed a transformational deal with US grocer Kroger, which resulted in a rise of 67% in the share price.

Global equity markets have continued to recover their poise, aside from a brief wobble as the Italian president threatened to set off a constitutional crisis. The combination of benign economic conditions, improving corporate earnings and the presumption that policy makers remain on standby to support asset markets has seen global equities bounce back. Whilst February's sharp fall in equity markets appeared to come out of blue skies, and contagion did not spread to most other asset classes, developed market equities currently appear to be ignoring clouds forming on the horizon. Rising oil prices, higher bond yields, a resurgent US dollar and sclerotic politics have started to impact broader markets even if equities have shown few signs of stress. During May, both Turkey and Argentina had to raise interest rates sharply to prevent a run on their currencies. Talk of trade wars between the US and China and signs of increased funding stress in US money markets are further signs that all is not well. Whilst we offer no insight into the machinations of Italian politics it is difficult not to draw attention to Paolo Savona, the staunch Euro-sceptic who was deemed unsuitable to be Finance Minister but well suited to the role of Minister of European Affairs. As these events unfolded, Italian bonds lost 6.7% in capital terms; quite stark for what had hitherto been presumed to be close to risk-free thanks to European Central Bank (ECB) support. Intriguingly, the populists now in power have mooted the possibility of a *de facto* parallel currency (so-called 'mini-BoTs') being used alongside the euro as a back door way of stimulating the Italian economy without increasing national debt. The bearer notes would be euro denominated and therefore abide by the ECB's rules and would be linked to future tax receipts. The idea has been tried before in Argentina, California and was famously put forward by the Greek government in 2015. However, those schemes did not use bearer securities, which are harder to regulate and tax than electronic payment methods. This has set the proverbial cat among the pigeons at the ECB, as such extreme bending of the rules carries clear inflationary risks and poses a threat to the very concept of the single currency.

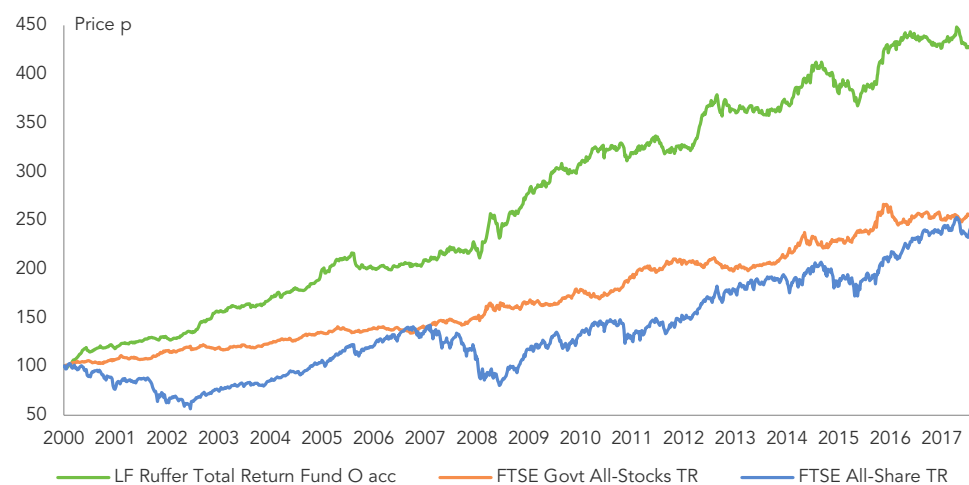
Overall, the calm markets of 2017, which saw both bond and stock prices drift gently upwards on a monthly basis, seem firmly behind us. The prospect of rising geopolitical risks and central bankers showing determination to introduce more volatility into financial markets make for dangerous times ahead.

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



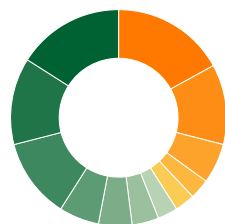
Performance %	May 2018	Year to date	1 year	3 years	5 years	10 years	
O accumulation shares	1.1	-0.2	0.2	6.4	18.7	101.6	
Percentage growth (O acc)	%		Share price as at 31 May 2018				p
31 Mar 2017 – 31 Mar 2018	-1.7		O accumulation				438.70
31 Mar 2016 – 31 Mar 2017	12.8		O income				293.33
31 Mar 2015 – 31 Mar 2016	-4.7		C accumulation				446.44
31 Mar 2014 – 31 Mar 2015	11.8		C income				298.67
31 Mar 2013 – 31 Mar 2014	-1.6						

Source: Ruffer LLP, FTSE International (FTSE)

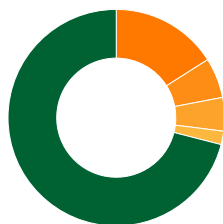
Ruffer performance is shown after deduction of all fees and management charges, and on the basis of income being reinvested. Past performance is not a guide to future performance. The value of the shares and the income from them can go down as well as up and you may not get back the full amount originally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

LF Ruffer Total Return Fund as at 31 May 2018

Asset allocation



Currency allocation



10 largest of 76 equity holdings*

Stock	% of fund
Mitsubishi UFJ Financial	2.0
Tesco	2.0
Sumitomo Mitsui Financial	1.7
Sony	1.7
Dai-ichi Life Insurance	1.5
BP	1.5
Walt Disney	1.5
Japan Post Holdings	1.4
T&D	1.4
Vivendi	1.4

5 largest of 17 bond holdings

Stock	% of fund
UK Treasury index-linked 1.875% 2022	3.9
US TIPS 0.125% 2022	3.9
UK Treasury index-linked 1.25% 2055	3.8
UK Treasury index-linked 0.375% 2062	3.7
US TIPS 1.25% 2020	3.2

*Excludes holdings in pooled funds
Source: Ruffer LLP

Asset allocation

Asset Allocation Category	Percentage
Non-UK index-linked	16
Long-dated index-linked gilts	13
Cash	12
Index-linked gilts	6
Gold and gold equities	5
Illiquid strategies	4
Short-dated bonds	3
Japan equities	17
UK equities	12
North America equities	6
Europe equities	3
Asia ex-Japan equities	3

Currency allocation

Currency Allocation Category	Percentage
Sterling	71
US dollar	16
Yen	6
Gold	5
Other	2

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 £3,262.5m

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	1.45	1.44
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	
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

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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 May 2018, assets managed by the Ruffer Group exceeded £22.4bn, of which over £14.1bn was managed in open-ended Ruffer funds.

Enquiries

Ruffer LLP +44 (0)20 7963 8254
80 Victoria Street rif@ruffer.co.uk
London
SW1E 5JL www.ruffer.co.uk

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