

LF Ruffer Total Return Fund

Positive absolute returns with low volatility



O class May 2020 Issue 209

During May, the fund price rose by 0.5%. This compared with a rise of 3.4% in the FTSE All-Share Index and no change in the FTSE Govt All Stocks Index (all figures total returns in sterling).

The last month has seen stock markets continue to try and put the events of March down as a bad dream with equities again moving higher. The slowdown in the level of COVID cases in the developed world, combined with some easing of lockdown restrictions, has given hope that the global economy will recover – and in reasonably short order. The anaesthetic of central banks stimulus has, once again, been sufficient to postpone all ills. As was the case in April, gold mining equities were the largest contributor to returns. The gold price only rose by 2.6% during the month, but mining equities rose in some cases by more than 10%.

Looking at the surface one would assume that not much has changed, but within equity markets there were some signs of a shift in tone. The NASDAQ, with its tilt towards technology companies, remained one of the better performing equity markets globally. It was however the announcement of the proposed EU recovery fund which saw some of the more ‘unloved’ areas of equity markets recover sharply. Whilst the fund holds its own expressions of the technology world via the likes of Ocado (+71% for the year to date) and eHealth (+36%), as well as an allocation to US healthcare, the majority of our equity exposure remains in the more unfashionable areas of equity markets. These companies tend to be more geared into the real economy and this has been an uncomfortable place to be, but the tail end of the month hinted at a possible shift in market favour.

This late month rotation into more cyclical equities was apparently catalysed by the announcement of the EU recovery plan. Whilst there will inevitably be further infighting within the eurozone, and objections from those that trumpet austerity, the market regards the plan as a step toward long-awaited fiscal co-ordination. The seeming breakthrough led to the euro strengthening, and importantly allowed the US dollar to weaken, taking the pressure off some of the more vulnerable economies within emerging markets. If this rotation is ‘for real’ (and there have been many failed attempts in the past), the equity exposure in the fund will perform handsomely. If this turns out to be another false start, we should continue to see benefits from the inflation-linked bonds and gold.

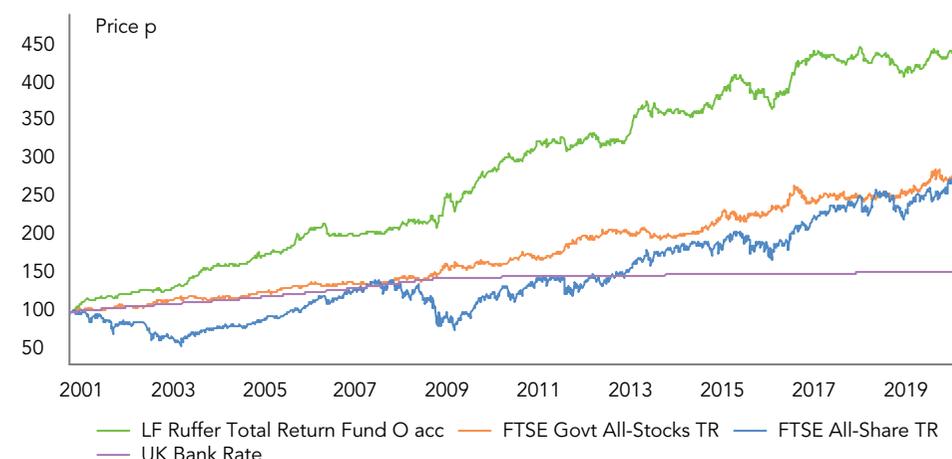
The last two months have provided credence to those that believe that central banks will forever be able to control the path of asset prices. We would argue differently: in the last three months governments have adopted a wartime response of huge, debt-funded fiscal spending, aided by central bank liquidity, and in the process are dismantling the anti-inflation bias constructed after the 1970s. To us this means we could quite quickly see the inflationary consequences of deep financial repression. Such a change will likely lead to a very different (and potentially more dangerous) market environment for investors.

The fund's prospectus and key investor information documents are provided in English and available on request or from 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 fund launch on 29 September 2000



Performance %	May 2020	Year to date	1 year	3 years	5 years	10 years
O accumulation shares	0.5	5.1	10.4	6.3	12.9	53.1
Percentage growth (O acc)	%		Share price as at 29 May 2020			
31 Mar 2019 – 31 Mar 2020	3.7		O accumulation			
31 Mar 2018 – 31 Mar 2019	-1.1		O income			
31 Mar 2017 – 31 Mar 2018	-1.7					
31 Mar 2016 – 31 Mar 2017	12.8					
31 Mar 2015 – 31 Mar 2016	-4.7					

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 May 2020

Asset allocation



Asset allocation

	%
Non-UK index-linked	22.8
Illiquid strategies and options	11.6
Long-dated index-linked gilts	11.5
Gold and gold equities	11.1
Short-dated bonds	6.6
Cash	4.8
Index-linked gilts	2.0

UK equities	9.9
Japan equities	7.6
North America equities	5.8
Europe equities	4.3
Asia ex-Japan equities	1.8

Currency allocation

	%
Sterling	72.8
Gold	11.3
Yen	10.7
US dollar	1.6
Euro	0.9
Other	2.8

Currency allocation



10 largest equity holdings*

Stock	% of fund
iShares Physical Gold	2.6
Lloyds Banking Group	2.2
Newmont Mining	1.5
Kinross Gold	1.3
Wheaton Precious Metals	1.3
Tesco	1.1
Mitsubishi Electric	1.0
Royal Bank of Scotland	0.9
Ocado	0.9
Sony	0.9

5 largest of bond holdings

Stock	% of fund
UK Treasury index-linked 0.125% 2068	4.6
US Treasury 0.25% TIPS 2050	3.9
UK Treasury 2.0% 2020	3.5
US Treasury 0.875% TIPS 2029	3.5
UK Treasury index-linked 1.25% 2055	3.3

*Excludes holdings in pooled funds
Source: Ruffer LLP.
Pie chart totals may not equal 100 due to rounding.

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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.

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Fund size £3,257.3m

Fund information

Ongoing Charges Figure	1.52
Annual management charge	1.50
Maximum initial charge	5.0
Yield	1.42
Minimum investment	£1,000
Ex dividend dates	15 Mar, 15 Sep
Pay dates	15 May, 15 Nov
Dealing	Weekly forward, every Wednesday where this is a business day Plus the last business day of the month
Cut off	10am on Wednesday (where it is a business day) and the last business day of the month
ISIN	Accumulation GB0009684100 Income GB0009684878
SEDOL	0968410 0968487
Investment adviser	Ruffer LLP
ACD	Link Fund Solutions Limited
Depository	The Bank of New York Mellon (International) Limited
Auditors	Ernst & Young LLP
Structure	Sub-fund of LF Ruffer Investment Funds (OEIC) UK domiciled UCITS Eligible for ISAs

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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.



Matt Smith

INVESTMENT DIRECTOR

Joined Ruffer in 2011 after graduating from Edinburgh University with a first class honours degree in history and German. He worked as an equity analyst in Hong Kong before taking up a role in Ruffer's institutional investment team. He was made a manager of the Total Return Fund in 2019.



Alexander Chartres

INVESTMENT DIRECTOR

Joined Ruffer in 2010 after graduating from Newcastle University with a first class honours degree in history and politics. He specialises in geopolitics and its investment implications, with a particular focus on European and Great Power politics.



Ruffer LLP

Ruffer LLP manages investments on a discretionary basis for private clients, trusts, charities and pension funds. As at 30 April 2020, assets managed by the Ruffer Group exceeded £19.7bn.

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