

LF Ruffer Absolute Return Fund

Positive absolute returns with low volatility



August 2018 Issue 150

During August, the fund price declined by 0.9%. This compares with a fall of 2.8% in the FTSE All-Share Index and a rise of 0.2% in FTSE Govt All Stocks Index (all figures total returns in sterling).

The US equity market moved past January's all-time high during this month. This rise has been driven by a steadily narrowing group of stocks, which typically does not augur well for future returns. Elsewhere, it was a much soggier picture with UK, European and Japanese equity indices all falling during the month and the damage was even greater in emerging markets. Not many safe haven assets performed either. The dollar and yen only appreciated by 1-2% against a weak pound and gold was largely unchanged in dollar terms. Gold miners were harder hit with the gold mining index down 13%: a combination of emerging market and commodity weakness.

Emerging market currencies grabbed most of the headlines. Turkey has long been identified as vulnerable, due to excessive debt (much of which was taken out in foreign currencies) and an authoritarian political regime. The Turkish lira has now fallen 74% this year. Argentina is also showing how fragile paper currencies can be. As the peso plunged, interest rates moved up to 60% in August – a far cry from the western world of zero interest rate policy. It remains to be seen whether there will be any contagion effects to other emerging economies, but it is a healthy reminder of how quickly these things can unravel and how widely the effects of tighter monetary policy in the US can be felt. Much has been written about gold's lacklustre performance in recent times, but if you were holding bullion in Ankara or Buenos Aires this month you would be sitting on gains of 32% and 35% respectively. When the world around you has been tumbling down, gold has done exactly what is required.

Cracks in the eurozone continue to appear as Target 2 balances (effectively the quantum of deposits moving from Club Med to Germany) surpassed the peak of 2012/2013 - relatively robust economic growth is masking a plethora of underlying problems. At some point this will have to crystallise in a banking and fiscal union or there will be risk of break-up. For now, however, this is tomorrow's story. In the UK, the savings rate plumbed new all-time lows at the same time as a fall in house prices. Despite this, there was a token increase in UK interest rates to 0.75%, but this does not mask the fact the Bank of England is (deliberately) behind the curve and loose monetary policy persists.

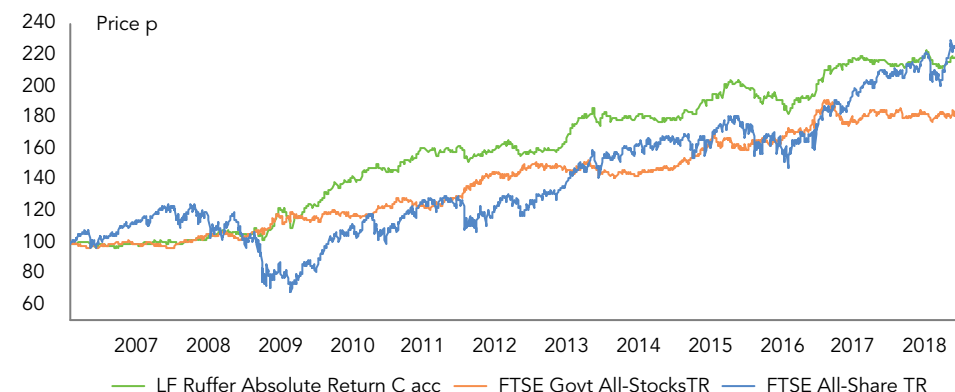
Looking forward, our position remains that while global economic growth looks respectable, asset prices only look justifiable on a relative basis assuming that long-term interest rates remain settled. If bond yields start to rise (and there are plenty of reasons to believe that they may) then the sort of stress that we have seen this month in far flung places may have a greater impact closer to home.

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 Absolute Return Fund is a UK UCITS and 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 Absolute 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 and positive returns in all market conditions from an actively managed portfolio of equities or equity related securities (including convertibles), corporate and government 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 and derivatives and forward transactions. Pervading this objective is a fundamental philosophy of capital preservation. In selecting investments the fund will adopt a stock picking approach and will not adopt any investment weightings by reference to any benchmark.

Performance since fund launch on 31 January 2006



Performance %	August 2018	Year to date	1 year	3 years	5 years	10 years
C accumulation shares	-0.9	-0.9	1.2	10.6	20.7	98.4

Percentage growth (C acc)	%	Share price as at 31 August 2018	p
30 Jun 2017 – 30 Jun 2018	1.2	O accumulation	209.19
30 Jun 2016 – 30 Jun 2017	8.1	O income	164.26
30 Jun 2015 – 30 Jun 2016	-0.6	C accumulation	216.94
30 Jun 2014 – 30 Jun 2015	11.4	C income	170.63
30 Jun 2013 – 30 Jun 2014	0.7		

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 Absolute Return Fund as at 31 Aug 2018

Asset allocation



Asset allocation %

● Non-UK index-linked	19.9
● Long-dated index-linked gilts	14.1
● Gold and gold equities	6.0
● Index-linked gilts	6.0
● Cash	4.5
● Short-dated bonds	3.0
● Illiquid strategies	2.6

● Japan equities	16.7
● UK equities	11.3
● North America equities	9.3
● Europe equities	4.1
● Asia ex-Japan equities	2.5

Currency allocation %

● Sterling	68.2
● US dollar	13.5
● Yen	8.0
● Gold	6.1
● Other	3.5
● Euro	0.7

Currency allocation



10 largest of 63 equity holdings*

Stock	% of fund
Mitsubishi UFJ Financial	2.1
Sony	2.1
Tesco	2.1
Sumitomo Mitsui Financial	2.0
iShares Physical Gold	2.0
Dai-ichi Life Insurance	1.7
Walt Disney	1.7
Japan Post	1.6
ExxonMobil	1.5
Vivendi SA	1.5

5 largest of 20 bond holdings

Stock	% of fund
UK Treasury index-linked 1.25% 2055	3.7
UK Treasury index-linked 0.375% 2062	3.6
US TIPS 1.25% 2020	3.5
UK Treasury index-linked 1.875% 2022	3.1
US Treasury 0.125% TIPS 2022	3.1

*Excludes holdings in pooled funds
Source: Ruffer LLP

Fund size **£5,398.2m**

Fund information

%	O class	C class
Ongoing Charges Figure	1.53	1.23
Annual management charge	1.50	1.20
Maximum initial charge	7.5	7.5
Yield	1.38	1.33
Minimum investment	£1,000,000	
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	GB00B0XP1H53 (acc) GB00B0XP1869 (inc)	GB00B0XP2X86 (acc) GB00B0XP1T75 (inc)
SEDOL	BOXP1H5 (acc) BOXP186 (inc)	BOXP2X8 (acc) BOXP1T7 (inc)

Investment adviser Ruffer LLP

ACD Link Fund Solutions Limited

Depository Pictet & Cie (Europe) S.A.

Auditors Ernst & Young LLP

Structure Sub-fund of Asperior Investment Funds (OEIC)
UK domiciled UCITS
Eligible for ISAs

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 July 2018, assets managed by the Ruffer Group exceeded £22.4bn.

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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.

Dealing line **0345 601 9610**

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