

# LF Ruffer Absolute Return Fund

Positive absolute returns with low volatility



January 2020 Issue 167

During January the fund price fell 1.6%. This compared with a fall of 3.3% in the FTSE All-Share Index and a rise of 3.5% in the FTSE Govt All Stocks Index (all figures are total returns in sterling).

We wrote last month how markets have seemingly become immune to negative news. This continued as 2020 began. The US assassination of Qassem Soleimani, a top general in the Iranian Revolutionary Guard, brought only a temporary hiccup. Despite the clear increase in geopolitical tensions, within days stock markets had recovered, the price of oil had retreated to its pre-attack levels and gold had fallen back to \$1,550. It would seem that the current administration in the United States is rewriting the rules that markets have known and evidently enjoyed for the past decades, yet investors remain unmoved.

Why did equity markets not flinch? Partial, if not full, responsibility, must reside with the actions of global central banks. Overwhelming any geopolitical fears was the support provided by the US Federal Reserve over the year end. They insist that this is 'not QE' but it looks a lot like it. These moves allowed strategists to draw similarities with the Fed's actions around the turn of the millennium. Therefore, the logic goes, there is more to come from October to December's stock market rally. Hopefully, we at Ruffer aren't the only ones who remember how that particular top ended.

These dynamics held until the last few days of January when suddenly there was one news event markets decided not to ignore. We are no epidemiologists but can see how the shutdown of factories, the hit to travel and tourism and the damage to already fragile global trade, might hinder the upward march of stocks. The rise in equity markets last year was driven almost exclusively by valuation expansion and came despite falling economic expectations and stalling profits. Further progress this year probably requires some form of earnings growth, something which may now be under threat, and when equity markets are priced for near perfection, vulnerabilities inevitably arise.

The authorities may or may not bring the virus under control and this may be another example of bad news that markets can look through. We at Ruffer do not try to pick the moment when bull markets end, in fact quite the opposite. By creating a portfolio split between growth and protection assets we try to remove as much timing from the equation as possible. If these worries blow over, our equities, focussed on the UK and Japan, are capable of driving decent returns as evidenced by the 8.5% outturn for 2019. If this is the moment when protection needs to take over, we are confident that our credit and volatility protections stand ready to act.

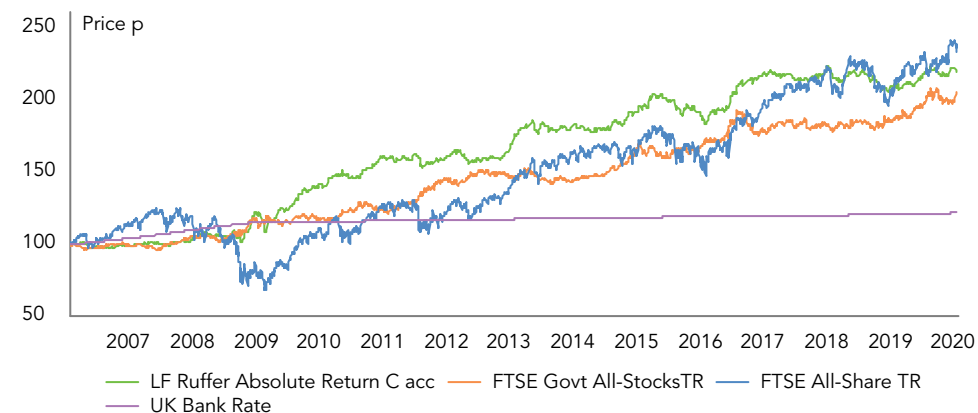
Please contact [investorday@ruffer.co.uk](mailto:investorday@ruffer.co.uk) if you would like to join our Ruffer Funds shareholder webinar on Thursday 27 February 2020.

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 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 %                    | January 2020 | Year to date | 1 year                                   | 3 years       | 5 years | 10 years |
|----------------------------------|--------------|--------------|--|---------------|---------|----------|
| C accumulation shares            | -1.6         | -1.6         | 3.5                                      | 0.2           | 11.8    | 57.0     |
| <b>Percentage growth (C acc)</b> | <b>%</b>     |              | <b>Share price as at 31 January 2020</b> |               |         |          |
| 31 Dec 2018 – 31 Dec 2019        | 8.5          |              | <b>O accumulation</b>                    | <b>209.88</b> |         |          |
| 31 Dec 2017 – 31 Dec 2018        | -6.5         |              | <b>O income</b>                          | <b>160.56</b> |         |          |
| 31 Dec 2016 – 31 Dec 2017        | 1.0          |              | <b>C accumulation</b>                    | <b>218.57</b> |         |          |
| 31 Dec 2015 – 31 Dec 2016        | 12.9         |              | <b>C income</b>                          | <b>167.50</b> |         |          |
| 31 Dec 2014 – 31 Dec 2015        | 0.3          |              |  |               |         |          |

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 Absolute Return Fund as at 31 Jan 2020

## Asset allocation



### Asset allocation %

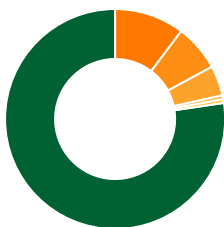
|                                   |      |
|-----------------------------------|------|
| ● Non-UK index-linked             | 21.6 |
| ● Long-dated index-linked gilts   | 10.7 |
| ● Cash                            | 6.9  |
| ● Gold and gold equities          | 6.6  |
| ● Short-dated bonds               | 4.6  |
| ● Illiquid strategies and options | 4.2  |
| ● Index-linked gilts              | 2.0  |

|                          |      |
|--------------------------|------|
| ● UK equities            | 15.9 |
| ● Japan equities         | 11.2 |
| ● North America equities | 8.4  |
| ● Europe equities        | 5.3  |
| ● Asia ex-Japan equities | 2.6  |

### Currency allocation %

|             |      |
|-------------|------|
| ● Sterling  | 77.2 |
| ● Yen       | 10.3 |
| ● Gold      | 6.8  |
| ● Euro      | 0.7  |
| ● US dollar | 0.6  |
| ● Other     | 4.4  |

## Currency allocation



## 10 largest equity holdings\*

| Stock                               | % of fund |
|-------------------------------------|-----------|
| Lloyds Banking Group                | 2.8       |
| Tesco                               | 1.9       |
| Walt Disney Company                 | 1.9       |
| Sony                                | 1.7       |
| Royal Bank of Scotland              | 1.5       |
| iShares Physical Gold               | 1.4       |
| Hennes & Mauritz                    | 1.3       |
| ExxonMobil                          | 1.2       |
| International Consolidated Airlines | 1.1       |
| BP                                  | 1.1       |

## 5 largest bond holdings

| Stock                                | % of fund |
|--------------------------------------|-----------|
| US Treasury TIPS 1.25% 2020          | 5.9       |
| UK government 2.0% 2020              | 4.6       |
| US Treasury 1.125% TIPS 2021         | 4.6       |
| UK Treasury index-linked 0.125% 2068 | 4.1       |
| US Treasury 0.125% TIPS 2021         | 3.9       |

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

Fund size **£4,671.3m**

## 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                    | 1.71  | 1.71  |
| Minimum investment       | £1,000,000  |   |
| Ex dividend dates        | 15 Mar, 15 Sep  |   |
| Pay dates                | 15 May, 15 Nov  |   |
| Dealing                  | Weekly forward, every Wednesday where this is a business day<br>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                     | O class<br>GB00B0XP1H53 (acc)<br>GB00B0XP1869 (inc)   | C class<br>GB00B0XP2X86 (acc)<br>GB00B0XP1T75 (inc) |
| SEDOL                    | B0XP1H5 (acc)<br>B0XP186 (inc)  | B0XP2X8 (acc)<br>B0XP1T7 (inc)                      |
| 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 Asperior Investment Funds (OEIC)<br>UK domiciled UCITS<br>Eligible for ISAs                 |   |

Dealing line **0345 601 9610**

## Enquiries

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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.



### 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.



### Jos North

INVESTMENT DIRECTOR

Joined Ruffer in 2012, having graduated from Edinburgh University with an MA Honours in French and Spanish. He became a member of the Chartered Institute of Securities & Investment following completion of the CISI Diploma, receiving the highest mark in that year. He manages portfolios predominantly for institutional clients.



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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.

## Ruffer LLP

Ruffer LLP manages investments on a discretionary basis for private clients, trusts, charities and pension funds. As at 31 December 2019, assets managed by the Ruffer Group exceeded £19.8bn.

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