

LF Ruffer Absolute Return Fund

Positive absolute returns with low volatility



February 2020 Issue 168

During February, the fund price declined by 2.9%. This compared with a fall of 8.9% in the FTSE All-Share Index and a rise of 1.3% in the FTSE Govt All Stocks Index (all figures total returns in sterling).

February proved to be the month when concerns over coronavirus truly went global. With cases emerging in countries as far apart as Italy and Iran the illusion was shattered that this was an infection limited to China. With concerns growing about global supply chains and the availability of labour in China's factories, investors moved to price in lower growth and an increased risk of recession. Equity markets tumbled while safe havens, such as government bonds, registered gains. Gold had a wild ride, reaching \$1659 per ounce before ending the month unchanged at \$1585 per ounce.

It goes without saying that we did not in any way predict the onset of COVID-19. However we have been concerned for some time that equity and credit markets were priced for perfection, and that any one of several factors could expose their underlying fragilities. If economic growth slows, let alone a recession occurs, then profits go into reverse. The recent enormous rise in corporate debt, typically executed to fund share buybacks rather than investment in productive assets, will then be thrown into sharper relief. In a month when even the fund's prudent equity exposure proved in hindsight to be still too much, its credit protections stepped forward and rose around 15%. Owing to how these instruments are priced not all of that increase was captured in the fund's month end NAV, but we are very confident that if market conditions darken further these instruments will provide substantial gains, at a time when other assets will struggle. Ultimately it is the credit market that the US Federal Reserve (and equity investors) should be fearful of if growth continues to slow.

Looking out now we are not inclined to buy the dip, even after the sharp drop in equities. We have no greater forecasting power than the next man in terms of the spread of coronavirus, but viewing the slump in the official Chinese purchasing managers' indices, which in February hit levels even lower than those registered in the financial crisis, certainly provides food for thought.

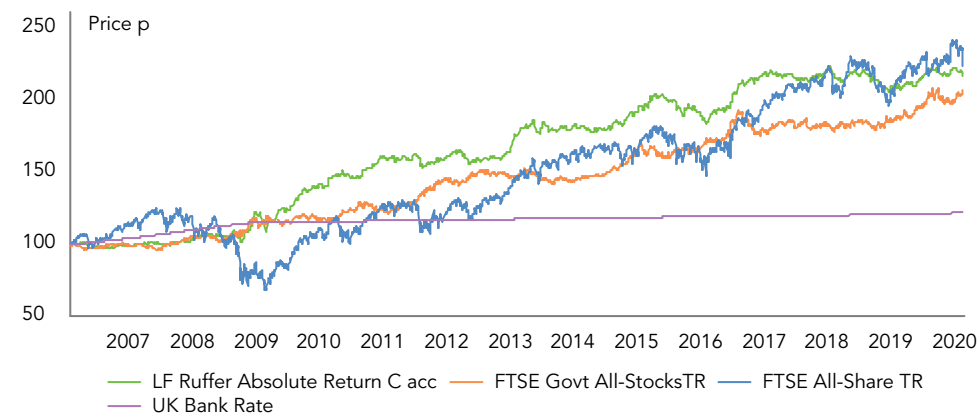
The world's authorities will undeniably do their best to keep the economic system afloat, witness the emergency intra-meeting cut of 0.5% in US interest rates by the Federal Reserve, although it must be pointed out that the performance of risk assets following such cuts has historically been decidedly mixed. Moreover monetary firepower is running low, most especially in the eurozone and Japan. For that reason, and for those of political economy, we have long articulated the view that the response to the next financial or economic downturn would have to be fiscal, against which eventuality the fund's UK index-linked bonds are key should inflation expectations consequently rise.

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 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 % | February 2020 | Year to date | 1 year | 3 years | 5 years | 10 years |
|----------------------------------|---------------|--------------|---|---------|---------------|----------|
| C accumulation shares | -2.9 | -4.4 | 2.4 | -2.5 | 7.5 | 48.3 |
| Percentage growth (C acc) | % | | Share price as at 28 February 2020 | | | |
| 31 Dec 2018 – 31 Dec 2019 | 8.5 | | O accumulation | | 203.80 | |
| 31 Dec 2017 – 31 Dec 2018 | -6.5 | | O income | | 155.91 | |
| 31 Dec 2016 – 31 Dec 2017 | 1.0 | | C accumulation | | 212.29 | |
| 31 Dec 2015 – 31 Dec 2016 | 12.9 | | C income | | 162.69 | |
| 31 Dec 2014 – 31 Dec 2015 | 0.3 | | | | | |

Source: Ruffer LLP, FTSE International (FTSE) †

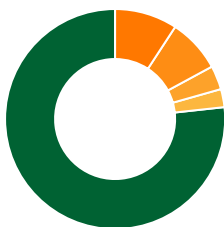
Ruffer performance is shown after deduction of all fees and management charges, and on the basis of income being reinvested. Past performance is not a guide to future performance. The value of the shares and the income from them can go down as well as up and you may not get back the full amount originally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

LF Ruffer Absolute Return Fund as at 28 Feb 2020

Asset allocation



Currency allocation



Asset allocation %

| | |
|-----------------------------------|------|
| ● Non-UK index-linked | 22.8 |
| ● Long-dated index-linked gilts | 11.6 |
| ● Gold and gold equities | 8.1 |
| ● Cash | 6.7 |
| ● Illiquid strategies and options | 6.3 |
| ● Short-dated bonds | 3.7 |
| ● Index-linked gilts | 2.1 |

| | |
|--------------------------|------|
| ● UK equities | 13.5 |
| ● Japan equities | 9.9 |
| ● North America equities | 9.1 |
| ● Europe equities | 3.7 |
| ● Asia ex-Japan equities | 2.5 |

Currency allocation %

| | |
|-------------|------|
| ● Sterling | 76.6 |
| ● Yen | 9.2 |
| ● Gold | 7.9 |
| ● US dollar | 2.9 |
| ● Other | 3.4 |

10 largest equity holdings*

| Stock | % of fund |
|------------------------|-----------|
| Lloyds Banking Group | 2.6 |
| iShares Physical Gold | 2.5 |
| ExxonMobil | 1.7 |
| Tesco | 1.7 |
| Walt Disney Company | 1.7 |
| Sony | 1.5 |
| Royal Bank of Scotland | 1.4 |
| BP | 1.1 |
| Hennes & Mauritz | 1.0 |
| Mitsubishi Electric | 1.0 |

5 largest of bond holdings

| Stock | % of fund |
|--------------------------------------|-----------|
| US Treasury TIPS 1.25% 2020 | 6.2 |
| US Treasury 1.125% TIPS 2021 | 4.9 |
| UK Treasury index-linked 0.125% 2068 | 4.6 |
| US Treasury 0.125% TIPS 2021 | 4.1 |
| UK government 2.0% 2020 | 3.7 |

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

Fund size £4,528.2m

Fund information

| % | O class | C class |
|--------------------------|---|---------|
| Ongoing Charges Figure | 1.52 | 1.22 |
| Annual management charge | 1.50 | 1.20 |
| Maximum initial charge | 7.5 | 7.5 |
| Yield | 1.76 | 1.76 |
| 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 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 | |

| | O class | C class |
|-------|--|--|
| ISIN | GB00B0XP1H53 (acc) GB00B0XP1869 (inc) | GB00B0XP2X86 (acc) GB00B0XP1T75 (inc) |
| SEDOL | B0XP1H5 (acc) B0XP186 (inc) | B0XP2X8 (acc) 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) UK domiciled UCITS 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

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