

# LF Ruffer Absolute Return Fund

Positive absolute returns with low volatility



March 2020 Issue 169

During March, the fund price rose by 2.2%. This compared with a fall of 15.1% in the FTSE All-Share Index and an increase of 1.4% in the FTSE Govt All Stocks Index (all figures total returns in sterling).

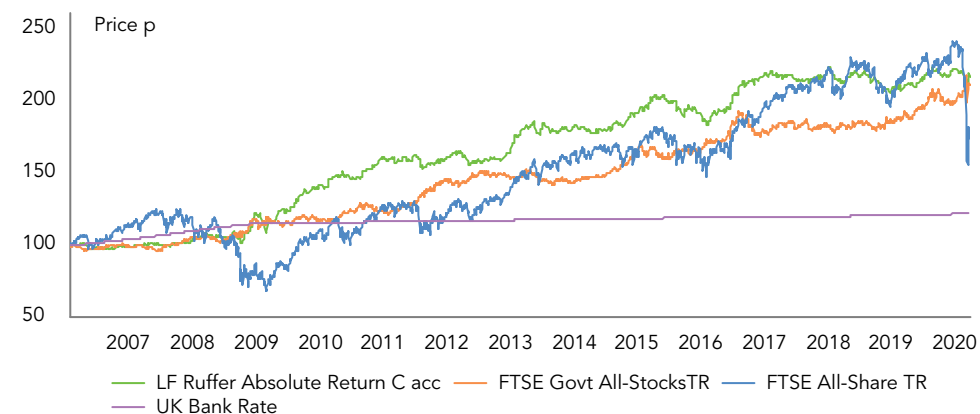
Lenin mused that ‘there are decades where nothing happens; and there are weeks where decades happen’. March had four such weeks. COVID-19 scythed through Europe and the US whilst rolling shutdowns created the worst ever peacetime output collapse. Unprecedented economic uncertainty, intensified by a Russia-Saudi oil war, drove market volatility unseen since the Great Depression. March marked the end of history’s longest US equity bull market with the fastest ever decline into a bear market from an all time high and the largest one day falls in major indices since 1987. The fund’s derivative protections proved critical, blunting equity losses: we sold the VIX calls (adding +2.6% for the fund during March) and (most) equity put options (+1.4%); credit spreads blew out in Europe and the US lifting our credit protections (+4.7%). These fell back as the US Federal Reserve waded into corporate bond markets, but credit remains exposed and the focus of our remaining alternative protections. Traditional safe haven assets proved flakier friends. Gold and gold mining equities fell with stocks as many investors sold what they could, not what they wanted to. By contrast, capital preservation has allowed us to acquire mispriced assets amidst the volatility including gold mining equities; fixed income gyrations allowed us to add long-dated US TIPS (+20% in USD since purchase) at attractive yields. The Fed and fellow central banks need to anchor yield curves to reduce real rates of borrowing to make the debt splurge affordable. Given the ‘wartime’ scale of economic dislocation, actual fiscal stimulus required will likely far exceed that already declared. Yet ‘buy the dip’ remains a powerful instinct. Is proposed stimulus enough to allow markets to stabilise, ‘looking through’ to a post-virus era? With the depth and duration of record economic disruption unknowable but increasingly visible, and in the absence of a magic bullet (eg vaccine), further volatility is likely and risks accelerating an investor preference for liquidity. Should markets sustain a rally, long TIPS and gold mining equities mean that the fund’s ‘risk’ assets are materially higher than the c 28% equity weight suggests. Central banks are throwing the kitchen sink at the crisis, but their omnipotence is another COVID-19 victim. On Sunday 15 March, the Fed cut rates to zero and unleashed massive quantitative easing. Markets fell sharply the following day, the third ‘black’ day this month. This was the Fed’s ‘emperor has no clothes’ moment, and signalled the end of the post-1987 ‘Greenspan put’ era, where monetary easing alone repeatedly bailed out fragile markets and economies. Exhausted monetary policy is impotent in the face of the massive real economy shock facing us, and markets know it. Game-changing ‘helicopter money’ – central bank financing of fiscal stimulus for the real economy – has arrived. Our bet remains that deeper financial repression will result, with inflation-linked bonds and gold the key fund defences.

The fund’s prospectus and key investor information documents are provided in English and available on request or from [ruffer.co.uk](http://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 %	March 2020	Year to date	1 year	3 years	5 years	10 years
C accumulation shares	2.2	-2.3	2.9	0.3	8.2	47.7
<b>Percentage growth (C acc)</b>	<b>%</b>					<b>Share price as at 31 March 2020</b>
31 Mar 2019 – 31 Mar 2020		2.9				<b>O accumulation</b>
31 Mar 2018 – 31 Mar 2019		-1.0				<b>O income</b>
31 Mar 2017 – 31 Mar 2018		-1.5				<b>C accumulation</b>
31 Mar 2016 – 31 Mar 2017		12.4				<b>C income</b>
31 Mar 2015 – 31 Mar 2016		-4.0				

Source: Ruffer LLP, FTSE International (FTSE) †

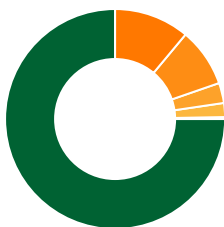
Ruffer performance is shown after deduction of all fees and management charges, and on the basis of income being reinvested. Past performance is not a guide to future performance. The value of the shares and the income from them can go down as well as up and you may not get back the full amount originally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

# LF Ruffer Absolute Return Fund as at 31 Mar 2020

## Asset allocation



## Currency allocation



### Asset allocation %

● Non-UK index-linked	23.2
● Long-dated index-linked gilts	10.9
● Index-linked gilts	9.7
● Illiquid strategies and options	9.6
● Gold and gold equities	8.4
● Cash	6.8
● Short-dated bonds	3.7

● UK equities	9.7
● Japan equities	6.7
● North America equities	6.1
● Europe equities	3.1
● Asia ex-Japan equities	2.0

### Currency allocation %

● Sterling	75.1
● Yen	11.1
● Gold	8.6
● US dollar	2.2
● Euro	0.1
● Other	2.9

## 10 largest equity holdings\*

Stock	% of fund
iShares Physical Gold	2.5
Lloyds Banking Group	2.0
Walt Disney Company	1.5
Tesco	1.0
Royal Bank of Scotland	0.9
BP	0.9
eHealth Inc.	0.9
Kinross Gold	0.9
Wheaton Precious Metals	0.8
Ocado	0.8

## 5 largest of bond holdings

Stock	% of fund
UK Treasury index-linked 2.5% 2020	7.7
UK Treasury index-linked 0.125% 2068	4.3
US Treasury 0.25% TIPS 2050	4.0
UK Treasury 2.0% 2020	3.7
US Treasury 0.875% TIPS 2029	3.6

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

Fund size £4,578.6m

## 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	1.70	1.70
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	
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

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

† © FTSE 2020. 'FTSE®' is a trade mark of London Stock Exchange Group companies and is used by FTSE under licence. All rights in the FTSE Data vest in FTSE and/or its licensors. Neither FTSE nor its licensors accept any liability in relation to the FTSE Data data. No further distribution of FTSE Data is permitted without FTSE's express written consent.

## 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.



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.

## Ruffer LLP

Ruffer LLP manages investments on a discretionary basis for private clients, trusts, charities and pension funds. As at 29 February 2020, assets managed by the Ruffer Group exceeded £19.1bn.

Issued by Ruffer LLP, 80 Victoria Street, London SW1E 5JL  
Ruffer LLP is authorised and regulated by the Financial Conduct Authority. © Ruffer LLP 2020