

LF Ruffer Absolute Return Fund

Positive absolute returns with low volatility



April 2020 Issue 170

During April, the fund price rose by 5.5%. This compared with a rise of 5.0% in the FTSE All-Share Index and an increase of 1.5% in the FTSE Govt All Stocks Index (all figures total returns in sterling).

April was very much the yang to March's yin, with the US stock market moving from the fastest fall since the Great Depression (in March) to the largest monthly rise since 1987. Following the significant pivot in portfolio positioning in the second half of March the portfolio was able to capture much of the available upside (it is the third highest monthly return in the fund's 14 year history), whilst remaining appropriately defensively positioned.

Gold and gold mining equities (+2.7%) accounted for nearly half of the portfolio's return. We topped up this area in mid-March as various levered retail gold miner exchange-traded funds (ETFs) imploded, leaving attractive stock prices in their wake. The miners have rebounded strongly and indeed one of the fund's holdings, Newmont Corp, is the best performing company in the S&P 500 so far this year, handsomely outperforming the 'FANG' names (Facebook, Amazon, Netflix and Google) that are for now the market darlings. The next largest contributor was inflation-linked bonds (+2.1%), as long-dated bond yields continued to be squashed down by the largest central bank buying programmes ever seen, followed closely by the equity allocation as a whole (+2.0%). On the other side of the ledger were the unconventional portfolio protections (-0.9%): after we took significant profits in March, these provided a lesser headwind to performance.

Where next for markets? Liquidity argues for higher prices, while economic fundamentals argue for lower prices. On the one hand, the veritable torrent of monetary and fiscal stimulus squeezes stocks and bonds higher; on the other, all the money one saves by being locked at home represents all of someone else's lost revenues. For now the balance appears to be in favour of price appreciation; we would only caution that if markets run significantly higher, politicians and central bankers may be faced with the exceptionally toxic combination of both stock markets and unemployment at record highs, and it is likely that they will amend or withdraw accommodative market policy in favour of policies that benefit workers rather than corporates.

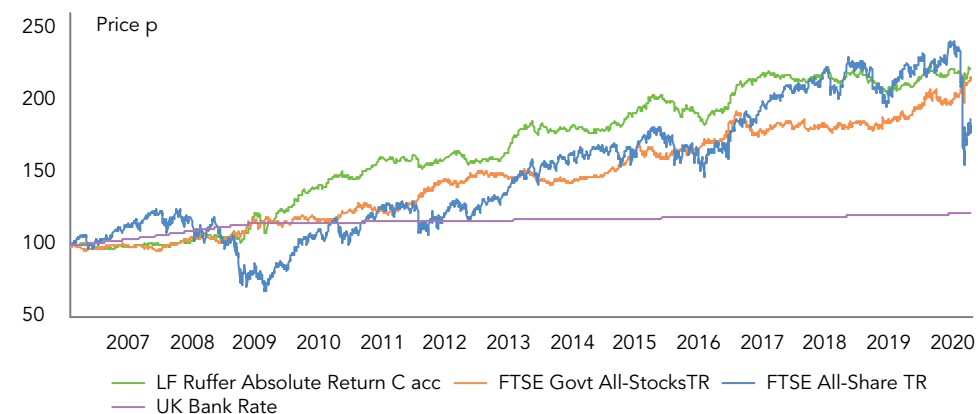
Reflecting this and other concerns, we have over the last six weeks added more yen to the protective armoury. A number of factors argue for yen appreciation – Japan's oil imports are now much cheaper, its low interest rates are no longer such a relative rarity, and the Bank of Japan will find it hard to surpass the stimulus efforts of others given how much of the Japanese government bond (JGB) market the Bank already owns, to name just three – and this appreciation would be turbo-charged if further distress or defaults were seen in the US corporate credit market, as Japanese investors repatriate their significant investments there. Worldwide, it is the currency that looks most like gold and is therefore deserving of a significant allocation.

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 %	April 2020	Year to date	1 year	3 years	5 years	10 years
C accumulation shares	5.5	3.1	8.0	5.9	13.6	54.7
Percentage growth (C acc)	%		Share price as at 30 April 2020			
31 Mar 2019 – 31 Mar 2020	2.9		O accumulation		219.72	
31 Mar 2018 – 31 Mar 2019	-1.0		O income		167.02	
31 Mar 2017 – 31 Mar 2018	-1.5		C accumulation		229.00	
31 Mar 2016 – 31 Mar 2017	12.4		C income		174.34	
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 30 Apr 2020

Asset allocation



Asset allocation %

● Non-UK index-linked	23.1
● Short-dated bonds	11.2
● Long-dated index-linked gilts	11.1
● Gold and gold equities	10.8
● Illiquid strategies and options	9.6
● Cash	3.4
● Index-linked gilts	2.0

● UK equities	10.3
● Japan equities	6.9
● North America equities	6.3
● Europe equities	3.3
● Asia ex-Japan equities	2.0

Currency allocation %

● Sterling	65.8
● Yen	11.8
● Gold	10.9
● US dollar	8.3
● Euro	0.2
● Other	2.9

Currency allocation



10 largest equity holdings*

Stock	% of fund
iShares Physical Gold	2.6
Lloyds Banking Group	2.1
Kinross Gold	1.4
Tesco	1.3
Walt Disney Company	1.2
Wheaton Precious Metals	1.2
Ocado	1.0
Royal Bank of Scotland	0.9
BP	0.9
Centene Corporation	0.8

5 largest of bond holdings

Stock	% of fund
UK Treasury 1.5% 2021	7.5
UK Treasury index-linked 0.125% 2068	4.4
US Treasury 0.25% TIPS 2050	4.1
UK Treasury 2.0% 2020	3.6
US Treasury 0.875% TIPS 2029	3.5

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

Fund size **£4,708.2m**

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	1.61	1.61
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

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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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