

LF Ruffer Absolute Return Fund

Positive absolute returns with low volatility



May 2020 Issue 171

During May, the fund price rose by 0.6%. This compared with a rise of 3.4% in the FTSE All-Share Index and no change in the FTSE Govt All Stocks Index (all figures total returns in sterling).

The last month has seen stock markets continue to try and put the events of March down as a bad dream with equities again moving higher. The slowdown in the level of COVID cases in the developed world, combined with some easing of lockdown restrictions, has given hope that the global economy will recover – and in reasonably short order. The anaesthetic of central banks stimulus has, once again, been sufficient to postpone all ills. As was the case in April, gold mining equities were the largest contributor to returns. The gold price only rose by 2.6% during the month, but mining equities rose in some cases by more than 10%.

Looking at the surface one would assume that not much has changed, but within equity markets there were some signs of a shift in tone. The NASDAQ, with its tilt towards technology companies, remained one of the better performing equity markets globally. It was however the announcement of the proposed EU recovery fund which saw some of the more ‘unloved’ areas of equity markets recover sharply. Whilst the fund holds its own expressions of the technology world via the likes of Ocado (+71% for the year to date) and eHealth (+36%), as well as an allocation to US healthcare, the majority of our equity exposure remains in the more unfashionable areas of equity markets. These companies tend to be more geared into the real economy and this has been an uncomfortable place to be, but the tail end of the month hinted at a possible shift in market favour.

This late month rotation into more cyclical equities was apparently catalysed by the announcement of the EU recovery plan. Whilst there will inevitably be further infighting within the eurozone, and objections from those that trumpet austerity, the market regards the plan as a step toward long-awaited fiscal co-ordination. The seeming breakthrough led to the euro strengthening, and importantly allowed the US dollar to weaken, taking the pressure off some of the more vulnerable economies within emerging markets. If this rotation is ‘for real’ (and there have been many failed attempts in the past), the equity exposure in the fund will perform handsomely. If this turns out to be another false start, we should continue to see benefits from the inflation-linked bonds and gold.

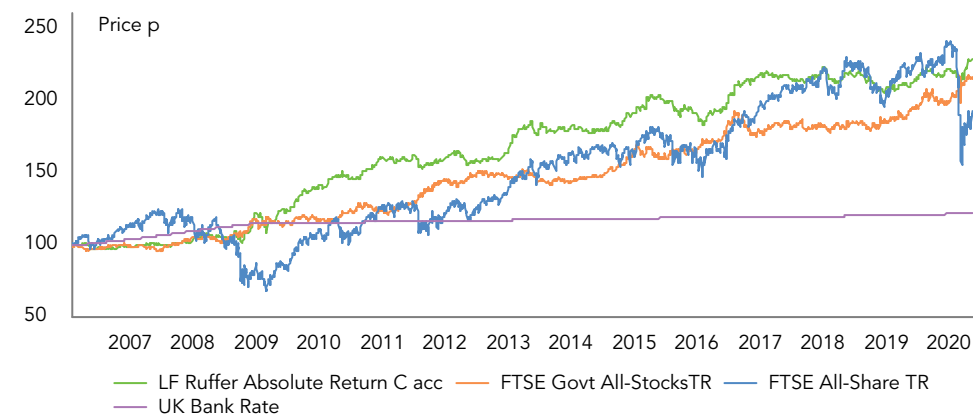
The last two months have provided credence to those that believe that central banks will forever be able to control the path of asset prices. We would argue differently: in the last three months governments have adopted a wartime response of huge, debt-funded fiscal spending, aided by central bank liquidity, and in the process are dismantling the anti-inflation bias constructed after the 1970s. To us this means we could quite quickly see the inflationary consequences of deep financial repression. Such a change will likely lead to a very different (and potentially more dangerous) market environment for investors.

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 %	May 2020	Year to date	1 year	3 years	5 years	10 years
C accumulation shares	0.6	3.7	9.5	5.8	12.6	54.8
Percentage growth (C acc)		%	Share price as at 29 May 2020			
31 Mar 2019 – 31 Mar 2020		2.9	O accumulation	220.96		
31 Mar 2018 – 31 Mar 2019		-1.0	O income	167.98		
31 Mar 2017 – 31 Mar 2018		-1.5	C accumulation	230.34		
31 Mar 2016 – 31 Mar 2017		12.4	C income	175.38		
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 29 May 2020

Asset allocation



Asset allocation %

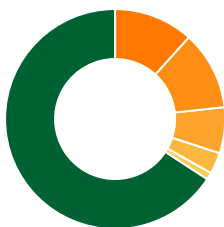
● Non-UK index-linked	23.6
● Long-dated index-linked gilts	12.0
● Gold and gold equities	11.4
● Short-dated bonds	11.3
● Illiquid strategies and options	8.5
● Index-linked gilts	2.0
● Cash	0.8

● UK equities	11.0
● Japan equities	7.4
● North America equities	5.8
● Europe equities	4.3
● Asia ex-Japan equities	1.9

Currency allocation %

● Sterling	65.8
● Yen	11.8
● Gold	11.6
● US dollar	6.8
● Euro	1.2
● Other	2.9

Currency allocation



10 largest equity holdings*

Stock	% of fund
iShares Physical Gold	3.0
Lloyds Banking Group	2.3
Kinross Gold	1.4
Wheaton Precious Metals	1.3
Walt Disney Company	1.2
Tesco	1.2
Ocado	1.2
ArcelorMittal	0.9
Royal Bank of Scotland	0.9
Sony	0.8

5 largest of bond holdings

Stock	% of fund
UK Treasury 1.5% 2021	7.6
UK Treasury index-linked 0.125% 2068	4.8
US Treasury 0.25% TIPS 2050	4.1
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 £4,649.7m

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	1.59	1.59
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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