

# LF Ruffer Absolute Return Fund

Positive absolute returns with low volatility



July 2020 Issue 173

During July, the fund price rose by 1.3%. This compared with a fall of 3.6% in the FTSE All-Share Index and an increase of 0.4% in the FTSE Govt All Stocks Index (all figures total returns in sterling).

The political, economic, and societal crises rumble on. We are past the acute phase, but sticking plasters mask the extent of any chronic damage. However, Sleeping Beauty awaking from her slumber, and perusing a copy of the Financial Times, might ask what all the fuss is about? Many markets have fully recovered. US stocks, sovereign bonds and investment grade credit are all now up on the year.

Unsurprisingly, this has led to discussion of whether or not there is a ‘disconnection’ between the stock market and the economy. Bulls would say the market has been rational through this period, as it draws a clear distinction between the best and the worst companies. Companies with pristine balance sheets are at all time highs, those with weak balance sheets remain in the doldrums. Furthermore, the winning stocks are the ones which have benefitted from lockdown, the digital economy leaders and the predictable or subscription business models like Amazon, Peloton or Ocado (our biggest individual winner year to date). But we must consider what this is telling us.

All this implies that investors are certain there will be no return to perceived normality. If the market and the economy are going to come roaring back to normal in a ‘v’ recovery, it’s unlikely to be Clorox (who make sanitiser) or Zoom who benefit most.

We think if you want to play economic recovery, these are precisely the wrong sort of stocks to be in. These companies have become the new defensive assets – where investors go to feel safe. They have been highly correlated with bonds and gold. So for our equities, we are focusing more on recovery – we want to be in Walt Disney, who can re-open their theme parks, or Vinci, who operate French toll roads.

Remember that, if GDP growth picks up, the valuation premium granted to secure growth stocks becomes unwarranted. If GDP growth does not pick up, then the economy is stuck in an extended slump and equities are probably the wrong asset class entirely. The latter scenario is where our portfolio protections would come into play – and we are beginning to dial these back up.

Meanwhile, the most important driver of markets in July was the emergence of US dollar weakness. The dollar index weakened by 4%, providing some support to reflation and recovery. The US has converged with the rest of the world at the zero lower bound and Chairman Powell has confirmed they are ‘not even thinking about thinking about raising rates’.

So perhaps it is not surprising that towards the end of the month gold soared to an all-time high. Silver posted its strongest month on record. After adding to our precious metal positions in March, these have been big contributors to our portfolio over the last few months (adding 1.5% in July alone). The LF Ruffer Gold Fund is up 74% for 2020. We have trimmed these equities a little, but continue to run a large exposure at around 10% of the portfolio.

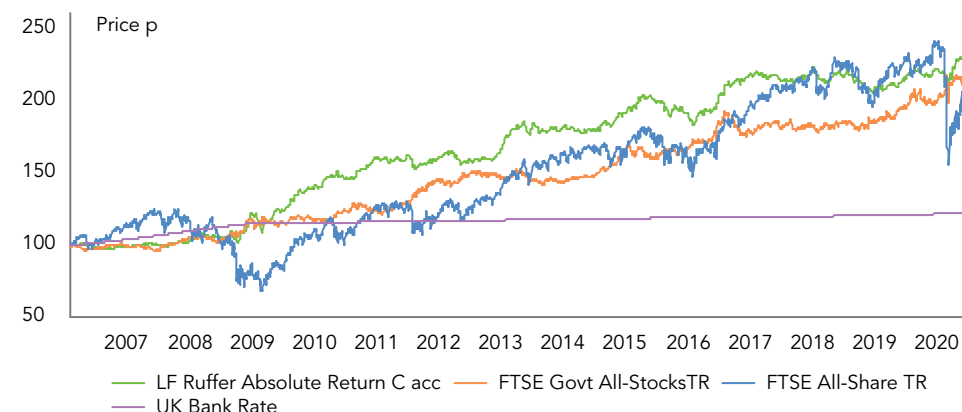
Our shareholder webinar is on 17 September. Please email [events@ruffer.co.uk](mailto:events@ruffer.co.uk) for details.

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 %	July 2020	Year to date	1 year	3 years	5 years	10 years
C accumulation shares		1.3	5.2	6.8	9.3	16.9
<b>Percentage growth (C acc)</b>		<b>%</b>	<b>Share price as at 31 July 2020</b>			
30 Jun 2019 – 30 Jun 2020		7.7	<b>O accumulation</b>			<b>224.01</b>
30 Jun 2018 – 30 Jun 2019		-1.6	<b>O income</b>			<b>170.29</b>
30 Jun 2017 – 30 Jun 2018		1.2	<b>C accumulation</b>			<b>233.64</b>
30 Jun 2016 – 30 Jun 2017		8.1	<b>C income</b>			<b>177.90</b>
30 Jun 2015 – 30 Jun 2016		-0.6				

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 Jul 2020

## Asset allocation



### Asset allocation %

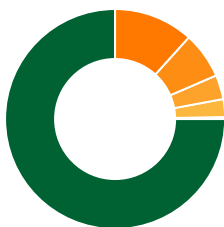
● Non-UK index-linked	21.8
● Long-dated index-linked gilts	12.1
● Gold and gold equities	11.6
● Short-dated bonds	9.7
● Illiquid strategies and options	8.1
● Cash	6.6
● Index-linked gilts	2.0

● UK equities	9.4
● Japan equities	6.6
● North America equities	5.3
● Europe equities	5.0
● Asia ex-Japan equities	1.8

### Currency allocation %

● Sterling	74.9
● Gold	11.6
● US dollar	7.0
● Yen	3.6
● Euro	0.5
● Other	2.4

## Currency allocation



## 10 largest equity holdings\*

Stock	% of fund
iShares Physical Gold	2.6
Lloyds Banking Group	1.9
Kinross Gold	1.7
Wheaton Precious Metals	1.3
Tesco	1.1
Newcrest Mining	1.0
American Express	1.0
ArcelorMittal	1.0
Royal Bank of Scotland	0.8
Hennes & Mauritz	0.7

## 5 largest bond holdings

Stock	% of fund
UK Treasury 1.5% 2021	7.7
UK Treasury index-linked 0.125% 2068	5.0
US Treasury 0.875% TIPS 2029	3.5
UK Treasury index-linked 1.25% 2055	3.4
US Treasury 0.25% TIPS 2029	3.0

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

Fund size £4,582.4m

## 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	1.57	1.57
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

Ruffer LLP manages investments on a discretionary basis for private clients, trusts, charities and pension funds. As at 30 June 2020, assets managed by the Ruffer Group exceeded £20.1bn.

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