

LF Ruffer Absolute Return Fund

Positive absolute returns with low volatility



October 2020 Issue 176

During October, the fund price fell by 1.7%. This compared with a fall of 3.8% in the FTSE All-Share Index and a fall of 0.5% in the FTSE Govt All Stocks Index (all figures total returns in sterling).

A low allocation to equities and some profit taking in gold mining shares over the last two months softened the blow but was not enough to mitigate an overall loss in October. Concerns that bothered risk assets in September became more acute in October. Hopes faded of further US fiscal stimulus prior to the election and coronavirus infections surged across Europe bringing further curtailments in economic activity. Equity markets lost ground, with falls ranging from around 3% in the US to 10% in Germany. October illustrated again why we have been concerned for some time about the lack of effective protective assets. As equities fell, traditional haven assets such as US treasuries, UK gilts and gold also declined. Only the US dollar strengthened, validating both our suspicion that it may be one of the last traditional offsets available and its increased weighting in the fund.

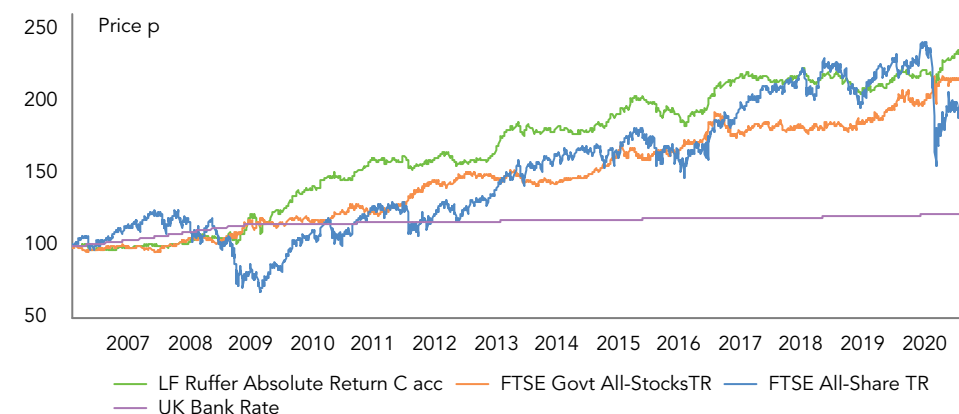
The balanced portfolio of traditional assets is more vulnerable than ever. Our answer is to maintain an allocation to credit protections, which will provide a potent offset to deeper equity market falls, as was the case in the first quarter. We took significant profits earlier this year but once again increased the sensitivity of these positions as the summer ended. We think it is likely that there will be corporate failures before this crisis is resolved. Not every over-indebted company will be able to refinance or be rescued by governments.

Whatever the result of the US election, one thing seems certain – government will get bigger and further fiscal support will ensue. Whether this takes the form of tax cuts or a Green New Deal will be a function of both the occupant of the White House and the composition of the Senate. Either way, with inflation deemed quiescent this fiscal support will be accompanied by rock bottom interest rates. A debt dependent recovery will not be able to stomach higher interest rates and higher inflation will be tolerated as the price for rehabilitating the economy. The global fiscal fire hose will eventually have its desired effect. Inflation will emerge like Hemingway’s bankruptcy – ‘gradually, then suddenly’. Risk assets will enjoy the ‘gradually’ and hate the ‘suddenly’. For this reason, we hold value equities for the heralding of inflation and inflation-linked bonds for when it arrives. Low inflation expectations are underpinning high valuations on many asset prices and 2021 looks like it could be the year when this unravels.

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



C accumulation shares	Performance %	Share price as at 30 October 2020	p
October 2020	-1.7	O accumulation	219.58
Year to date	3.2	O income	166.55
1 year	5.7	C accumulation	229.19
3 years	6.0	C income	174.13
5 years	17.3		
10 years	50.1		

12 month performance to 30 September %	2016	2017	2018	2019	2020
LF Ruffer Absolute Return C acc	12.2	0.4	1.6	1.6	5.8
FTSE Govt All-StocksTR	12.6	-3.6	0.6	13.4	3.4
FTSE All-Share TR	16.8	11.9	5.9	2.7	-16.6
UK Bank Rate	0.5	0.2	0.5	0.8	0.4

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.

Source: Ruffer LLP, FTSE International (FTSE) †

LF Ruffer Absolute Return Fund as at 30 Oct 2020

Asset allocation



Asset allocation %

● Non-UK index-linked	25.9
● Long-dated index-linked gilts	11.0
● Gold and gold equities	8.4
● Illiquid strategies and options	7.9
● Cash	7.6
● Short-dated bonds	6.5
● Index-linked gilts	2.0

Currency allocation



Currency allocation %

● Sterling	78.1
● Gold	8.6
● US dollar	7.6
● Yen	2.7
● Euro	0.5
● Other	2.5

10 largest equity holdings*

Stock	% of fund
iShares Physical Gold	2.5
Lloyds Banking Group	2.2
BP	1.1
NatWest Group	1.0
Wheaton Precious Metals	0.9
Kinross Gold	0.9
Tesco	0.9
American Express	0.8
Barclays PLC	0.8
Royal Dutch Shell	0.8

5 largest bond holdings

Stock	% of fund
UK Treasury index-linked 0.125% 2068	4.9
UK Treasury 1.5% 2021	4.5
US Treasury 0.875% TIPS 2029	3.6
US Treasury 0.25% TIPS 2029	3.1
UK Treasury index-linked 1.25% 2055	3.0

*Excludes holdings in pooled funds

Source: Ruffer LLP.

Pie chart totals may not equal 100 due to rounding.

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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.

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.

Fund size £4,489.7m

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	0.81	0.81
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

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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.



Ruffer LLP

Ruffer LLP manages investments on a discretionary basis for private clients, trusts, charities and pension funds. As at 30 September 2020, assets managed by the Ruffer Group exceeded £20.0bn.

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