

# LF Ruffer Absolute Return Fund

Positive absolute returns with low volatility



January 2021 Issue 179

During January, the fund price rose by 0.5%. This compared with a fall of 0.8% in the FTSE All-Share index and a fall of 1.7% in the FTSE Govt All Stocks index (all figures total returns in sterling).

In our December report we opined that the market consensus expected the combination of ongoing fiscal largesse and vaccine-induced economic re-opening would continue to drive another positive year for stocks and a rotation from 'growth' to 'value'. Catalysed by the Georgia senate elections, which seemingly gave US President Joe Biden an unencumbered path to huge further spending, the rotation continued and equity markets reached yet higher all-time highs by the middle of the month. We used this backdrop to take profits in some of our more economically sensitive names preferring more defensive businesses, such as healthcare, in the short term. Over the subsequent two weeks, the reality of 'gray rhinos' (large, known but unaddressed risks) moved back into plain sight. Whilst the vaccines continued to show the efficacy that we had all hoped for, inevitable complications have arisen in their distribution and this called into question the smooth re-opening that markets had begun to price in. Strangely, having botched much of the virus response, the UK is looking to be amongst the world leaders in vaccine distribution. This gives hope for a relatively faster domestic re-opening, even if borders take longer to follow suit.

A weakening US dollar has been one of the drivers behind the performance of equity markets in recent months. If we see a return to US exceptionalism, at least in an economic sense, then this trend might pause. This in part reinforces the increase we made to the US dollar position at the end of 2020 and why we have avoided letting our equity weighting drift higher.

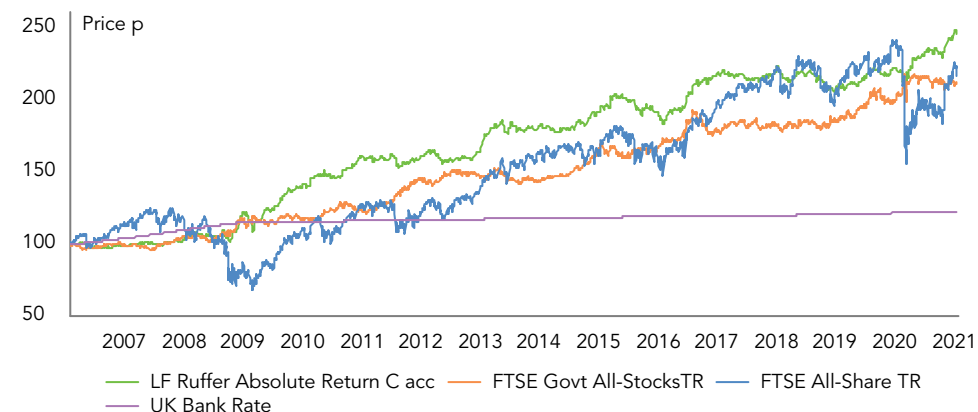
The last week of January saw some extraordinary individual share price action as retail investors ganged up to target individual equities where hedge funds held large short positions. The David and Goliath nature of the story has captured the imagination of the press but taking a step back it reveals some more interesting insights into market dynamics. The appearance of retail investors at the party is often a harbinger of over-exuberant markets and many previous bubbles have coincided with an increase in investors (or should that be speculators) trading on margin – the equivalent here has been the ease of access for retail players to options and other derivative instruments. These events also show that when there is ample liquidity available (cheques dropping through the letterbox) and no way to spend it then geysers will emerge. It is perhaps instructive as to how consumers will behave when lockdown is lifted.

We will be holding our bi-annual shareholder webinar on Wednesday 24 February at 8.30am, where we will focus on investment strategy and outlook. Please [click here](#) or email [ruffer@ruffer.co.uk](mailto:ruffer@ruffer.co.uk) if you would like to register.

## 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 29 January 2021	p
January 2021	0.5	<b>O accumulation</b>	<b>234.19</b>
Year to date	0.5	<b>O income</b>	<b>177.63</b>
1 year	11.9	<b>C accumulation</b>	<b>244.62</b>
3 years	11.6	<b>C income</b>	<b>185.85</b>
5 years	30.2		
10 years	54.8		

12 month performance to December %	2016	2017	2018	2019	2020
LF Ruffer Absolute Return C acc	12.9	1.0	-6.5	8.5	9.5
FTSE Govt All-StocksTR	10.1	1.8	0.6	6.9	8.3
FTSE All-Share TR	16.8	13.1	-9.5	19.2	-9.8
UK Bank Rate	0.4	0.3	0.6	0.8	0.2

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 Jan 2021

## Asset allocation



### Asset allocation %

● Non-UK index-linked	22.3
● Long-dated index-linked gilts	10.0
● Gold and gold equities	8.8
● Illiquid strategies and options	8.2
● Cash	7.3
● Index-linked gilts	1.9

● UK equities	15.1
● Japan equities	9.2
● North America equities	7.9
● Europe equities	5.9
● Asia ex-Japan equities	3.4

### Currency allocation %

● Sterling	69.5
● US dollar	17.5
● Gold	9.0
● Other	4.0

## Currency allocation



## 10 largest equity holdings\*

Stock	% of fund
iShares Physical Gold	3.2
Lloyds Banking Group	2.4
Barclays	1.4
Centene	1.3
Countryside Properties	1.2
Cigna	1.1
Yara International	1.1
NatWest Group	1.1
Kinross Gold	1.1
Tesco	1.0

## 5 largest bond holdings

Stock	% of fund
UK Treasury index-linked 0.125% 2068	4.4
US Treasury 0.875% TIPS 2029	3.4
US Treasury 0.25% TIPS 2029	2.9
UK Treasury index-linked 1.25% 2055	2.7
US Treasury 0.125% TIPS 2022	2.6

\*Excludes holdings in pooled funds

Source: Ruffer LLP.

Pie chart totals may not equal 100 due to rounding.

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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.

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.

Fund size £4,710.5m

## 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	0.76	0.76
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

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.



## Ruffer LLP

Ruffer LLP manages investments on a discretionary basis for private clients, trusts, charities and pension funds. As at 31 December 2020, assets managed by the Ruffer Group exceeded £21.0bn.

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