

LF Ruffer Absolute Return Fund

Positive absolute returns with low volatility

During April, the fund price rose by 0.5%. This compared with a rise of 4.3% in the FTSE All-Share index and an increase of 0.5% in the FTSE Govt All Stocks index (all figures total returns in sterling).

After one of the worst quarters for US bonds this century, and the steepest fall in the Barclays Long Treasury Index in 40 years, it was inevitable there would be some form of pause. Having peaked on 31 March at 1.74%, the US 10 year bond yield finished the month at 1.63%. This move lower boosted the performance of the fund's positions in gold and inflation-linked bonds. Earlier this year, gold had been doubly punished by the combination of rising yields and a rallying US dollar, but two recent tactical changes in the portfolio's asset allocation have helped performance. First, we added to bullion and selected gold mining equities during March and April, having reduced gold exposure last summer in anticipation of a reflationary shift in markets ahead of the vaccine announcements in November. The fund's gold-related investments added 50bps during the month. Secondly, we took profits in some of the interest rate options that protected the fund so effectively as bond yields rose during the first quarter of 2021, thereby allowing us to capture some of the rebound in inflation-linked bonds. This combination of index-linked bonds, gold and interest rate protections, having been essentially neutral during the first quarter, contributed positively as US bond yields receded.

So, where next? Was April a pause for breath before a further move higher in yields and consequent move lower in bond prices? We think so but there will be an important shift in emphasis – we have probably seen the end of US reflation in isolation. The next leg down for conventional bonds will probably be driven by positive growth surprises from Europe, as the continent sees a sustained pick up in vaccination rates and starts to exit from lockdown. At the same time there appears to be growing political support for meaningful fiscal policy deployment in the coming months. This is a playbook we have already seen, except the baton is being passed from the US to continental Europe. It was instructive that the German 10 year bund yield rose 9bps over the month, in stark contrast to the moves seen in the US.

The fund's index-linked bonds, which we reduced slightly through sales of US TIPS during April, are shielded by interest rate options so they retain their inflation protection, but are buttressed against the powerful economic rebound we expect to see through 2021. The fund's equities remain concentrated in economically sensitive and cyclical companies. This equity bias, combined with protection against rising nominal bond yields, means the fund is positioned for reflation, but still protected from inflation. In a world where fiscal policy dominates, inflation is the risk all investors should be guarding against. But conventional portfolios, hamstrung by the fallacy of benchmarks, are pointing in the wrong direction. They back-test well in the disinflationary world of the last 40 years, but are institutionally wired to the assets that performed well in the last market regime rather than to those opportunities which exist in the new one.

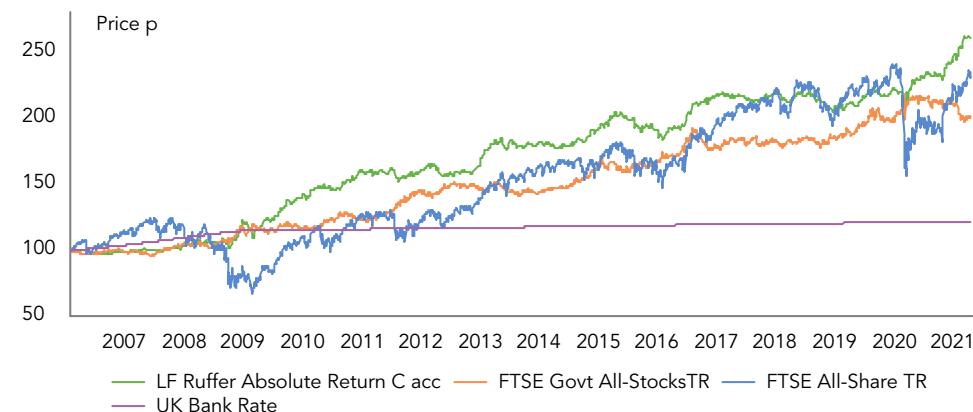
Ruffer performance is shown after deduction of all fees and management charges, and on the basis of income being reinvested. Past performance is not a guide to future performance. The value of the shares and the income from them can go down as well as up and you may not get back the full amount originally invested. The value of overseas investments will be influenced by the rate of exchange.



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 April 2021	p
April 2021	0.5	O accumulation	251.04
Year to date	7.9	O income	189.42
1 year	14.6	C accumulation	262.42
3 years	21.3	C income	198.27
5 years	35.9		
10 years	64.7		

12 month performance to March %	2017	2018	2019	2020	2021
LF Ruffer Absolute Return C acc	12.4	-1.5	-1.0	2.9	20.3
FTSE Govt All-StocksTR	6.6	0.5	3.7	9.9	-5.5
FTSE All-Share TR	22.0	1.2	6.4	-18.5	26.7
UK Bank Rate	0.3	0.4	0.7	0.7	0.1

Source: Ruffer LLP, FTSE International (FTSE) †

LF Ruffer Absolute Return Fund as at 30 Apr 2021

Asset allocation



Asset allocation %

Non-UK index-linked	11.0
Long-dated index-linked gilts	10.3
Gold and gold equities	9.9
Short-dated bonds	9.5
Illiquid strategies and options	8.7
Cash	3.6
Index-linked gilts	1.9

UK equities	18.6
Japan equities	8.6
North America equities	7.9
Europe equities	6.0
Asia ex-Japan equities	4.0

Currency allocation %

Sterling	82.3
Gold	10.0
US dollar	1.8
Euro	0.8
Yen	0.7
Other	4.4

Currency allocation



10 largest equity holdings*

Stock	% of fund
Lloyds Banking Group	3.3
iShares Physical Gold	3.1
Barclays	1.9
Countryside Properties	1.5
BP	1.5
NatWest Group	1.5
Wheaton Precious Metals	1.3
Centene	1.2
Cigna	1.2
Yara International	1.2

5 largest bond holdings

Stock	% of fund
UK Treasury 0.125% 2023	5.2
UK Treasury 4.0% 2022	4.3
UK Treasury index-linked 0.125% 2068	4.1
UK Treasury index-linked 1.25% 2055	2.5
US Treasury 0.125% TIPS 2022	2.5

*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 **£4,820.2m**

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	0.78	0.78
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 31 March 2021, assets managed by the Ruffer Group exceeded £22.2bn.

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