

LF Ruffer Absolute Return Fund

Positive absolute returns with low volatility

During July, the fund price declined by 0.2%. This compared with a rise of 0.5% in the FTSE All-Share Index, and a rise of 2.8% in the FTSE Govt All Stocks Index (all figures are total returns in sterling).

Bond yields fell throughout July as investors shrugged-off yet another blowout US inflation print: June CPI came in at 5.4%, well above expectations once again. Real (inflation-adjusted) yields moved further into negative territory, boosting the fund's inflation-protected bonds and adding 1.7% to performance. Together with a pause in US dollar appreciation, deeper negative real yields gave a lift to gold. By contrast, falling yields proved a headwind for our swaption book, which is held to protect against the opposite scenario. This interest rate protection detracted from performance (-0.8%). However, it remains an important part of the investment mix, which we think will be needed later this year and we have been topping up this position.

Investors cannot seem to agree on the reasons for the bond rally. Technical factors contributed (quantitative easing buying exceeding new issuance), as did anxiety over the slowing speed of economic recovery and the spread of the Delta variant of covid-19. There is also a growing perception that monetary and fiscal policy will tighten from here. As a result, July saw investors fretting about 'peak everything'. Equity investors tilted away from so-called 'reflation' trades – assets which do better in periods of faster economic expansion. Our equities – predominantly economically-sensitive value and cyclical stocks – were held back as a result, costing the fund 1.0%. A challenge to the reflation narrative was always likely in the second half of this year. The blistering rates of growth seen in the recovery from the sharpest post-war recession were bound to slow, whilst further waves of covid-19 and uneven global vaccination progress threaten both confidence and re-opening. However, despite the angst and a mid-month sell-off, global equities ended July just shy of yet another all-time high. Perhaps 'bad news is good news' again on the basis it keeps the punchbowl of central bank liquidity at the party for longer.

We expect a further leg of the 'reflation' trade and have added to our cyclical equities. Although the US Federal Reserve is now talking about tapering, central banks remain extremely accommodative. The European Central Bank has re-committed itself to stimulus as far as the eye can see. Even the more orthodox Chinese central bank signalled an end to tightening. At the same time, corporate earnings season has seen significant positive surprises which should support a strong capex cycle. Crucially, the UK's re-opening experience suggests vaccines decisively degrade the link between infections, hospitalisations and deaths, putting economic normality within reach of vaccinated states.

But risks to markets remain elevated, notably from China. On top of fresh covid-19 outbreaks and perennial debt issues, Beijing offered foreign investors re-education in political risk this month as the ongoing regulatory crackdown moved from tech to tuition stocks before rattling Chinese stocks more broadly. Under-priced political risk is one reason we have historically avoided large allocations to Chinese equities. This will not be the last barrage in the burgeoning capital markets war, nor the last nasty surprise for financial markets, out of the Middle Kingdom.

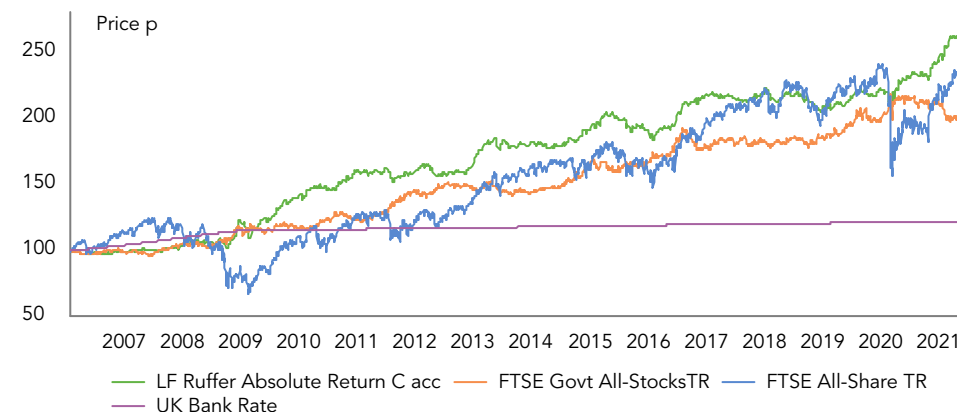
Ruffer performance is shown after deduction of all fees and management charges, and on the basis of income being reinvested. Past performance is not a guide to future performance. The value of the shares and the income from them can go down as well as up and you may not get back the full amount originally 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 July 2021	p
July 2021	-0.2	O accumulation	250.40
Year to date	7.7	O income	188.94
1 year	12.1	C accumulation	261.95
3 years	19.7	C income	197.91
5 years	27.4		
10 years	63.4		

12 month performance to June %	2017	2018	2019	2020	2021
LF Ruffer Absolute Return C acc	8.1	1.2	-1.6	7.7	13.8
FTSE Govt All-StocksTR	-0.9	1.9	4.9	11.2	-6.2
FTSE All-Share TR	18.1	9.0	0.6	-13.0	21.5
UK Bank Rate	0.3	0.4	0.7	0.6	0.1

Source: Ruffer LLP, FTSE International (FTSE) †

LF Ruffer Absolute Return Fund as at 30 Jul 2021

Asset allocation



Asset allocation %

Non-UK index-linked	15.9
Long-dated index-linked gilts	14.7
Short-dated bonds	11.0
Gold and gold equities	7.7
Illiquid strategies and options	5.0
Index-linked gilts	1.8
Cash	1.4
UK equities	18.9
North America equities	8.2
Japan equities	7.0
Europe equities	4.6
Asia ex-Japan equities	3.1
Other equities	0.9

Currency allocation %

Sterling	81.1
Gold	7.7
US dollar	5.8
Yen	0.7
Other	4.7

Currency allocation



10 largest equity holdings*

Stock	% of fund
Lloyds Banking Group	3.1
BP	2.3
Royal Dutch Shell	2.2
iShares Physical Gold	2.0
NatWest Group	2.0
Countryside Properties	1.4
Centene	1.3
Wheaton Precious Metals	1.3
Cigna	1.3
Bristol-Myers Squibb	1.2

5 largest bond holdings

Stock	% of fund
UK Treasury index-linked 0.125% 2068	6.2
UK Treasury index-linked 0.125% 2065	5.4
UK Treasury 0.125% 2023	4.8
UK Treasury 4.0% 2022	4.0
US Treasury 0.125% TIPS 2022	3.2

*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 £5,167.4m

Fund information

%	O class	C class
Ongoing Charges Figure	1.51	1.21
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 30 Jun 2021, assets managed by the Ruffer Group exceeded £23.0bn.

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