

LF Ruffer Absolute Return Fund

Positive absolute returns with low volatility

During September, the fund price rose by 0.2%. This compared with a fall of 1.0% in the FTSE All-Share index and a fall of 3.7% in the FTSE Govt All Stocks index (all figures total returns in sterling).

'Transitory' or not, price rises (aka inflation) are certainly starting to have an impact on both financial markets and everyday life. Amidst pictures of queues at petrol stations reminiscent of the 1970s as well as global concerns over possible shortages and supply chain disruption ahead of the key holiday season, stock and bond markets both lost some of their lustre in September. Bond yields rose as inflation concerns led to talk of tapering and earlier than expected interest rises, though this remains just talk for now. Meanwhile equities, especially growth and tech stocks, fell back, with the Nasdaq down 5.3% in the month, dragging down the broader US market by 4.7%

Although some of the price rises this month were eye-watering, with the oil price up almost 10% (and now +50% so far this year) and natural gas prices in Europe and the UK rising by over 90%, inflation worries were not the only concern for equity markets in September. The likely demise of Chinese property developer Evergrande, said to have over \$330bn of debt and a market value at the month end of only \$7bn, down 80% so far this year, added contagion risks to previous fears of a clampdown by the Chinese government.

Against this somewhat unsettling background, portfolio performance was robust in September, remaining broadly unchanged even as bond and equity markets fell back. Higher bond yields hurt our index-linked bonds during the month, though once again, as happened in Q1 earlier this year, we held interest rate options that offset much of the fall. On the equity side, rising yields were supportive for the banks held in the portfolio and not surprisingly, energy stocks performed strongly with holdings in BP, Equinor and Royal Dutch Shell all up 15-20%.

No doubt investors will be laser-focused on both inflation and the outlook for China. Hint, a clue to the future for both might be gleaned from the Chinese government's edict last week to secure energy supplies 'at all costs'. However, for us the key observation from September is 'balanced' portfolios had their worst month since March 2020, when global markets first felt the full brunt of the covid-19 pandemic. Back then, the 60% equity and 40% conventional bond mix that has been so popular and so successful in recent years fell 5% in a month, this time the US version fell 3.5%. Small beer perhaps after gains averaging 10% for a decade, but a worrying sign nonetheless.

We have long warned higher inflation, or even just inflation volatility, could see a shift in the correlation between equities and bonds. This would merely be a reversion to the normal pattern before the decades of disinflation and falling interest rates since the 1980s. If so, portfolios would no longer be able to rely on rising bond prices (via falling interest rates) to soften the pain of equity market falls. In fact, the opposite could be true with falling bond prices exacerbating future equity market sell-offs. Ruffer portfolios hold inflation-linked bonds and other less conventional protections to guard against exactly such a situation. Last month, at least, this approach worked. We will wait to see if this too was just transitory.

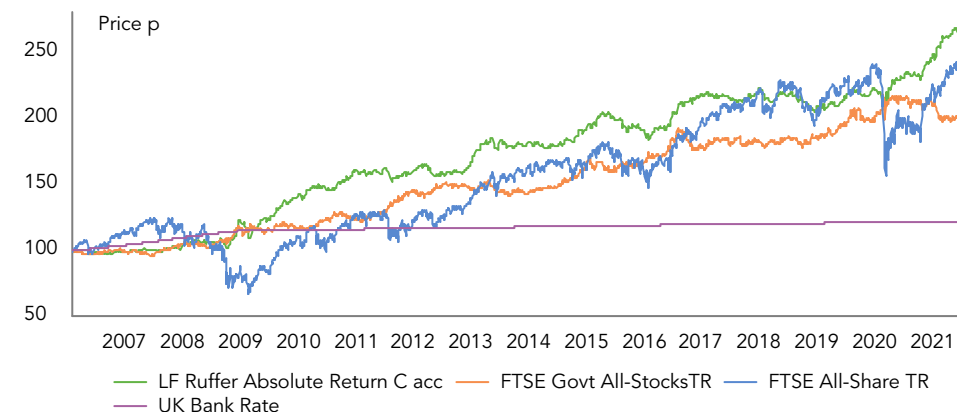
Ruffer performance is shown after deduction of all fees and management charges, and on the basis of income being reinvested. Past performance is not a guide to future performance. The value of the shares and the income from them can go down as well as up and you may not get back the full amount originally 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 September 2021	p
September 2021	0.2	O accumulation	252.00
Year to date	8.4	O income	188.30
1 year	13.2	C accumulation	263.76
3 years	21.6	C income	197.34
5 years	24.0		
10 years	68.7		

12 month performance to September %	2017	2018	2019	2020	2021
LF Ruffer Absolute Return C acc	0.4	1.6	1.6	5.8	13.2
FTSE Govt All-StocksTR	-3.6	0.6	13.4	3.4	-6.8
FTSE All-Share TR	11.9	5.9	2.7	-16.6	27.9
UK Bank Rate	0.2	0.5	0.8	0.4	0.1

Source: Ruffer LLP, FTSE International (FTSE) †

LF Ruffer Absolute Return Fund as at 30 Sep 2021

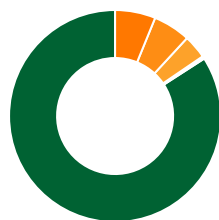
Asset allocation



Asset allocation %

Non-UK index-linked	15.4
Long-dated index-linked gilts	11.0
Cash	6.7
Index-linked gilts	6.6
Short-dated bonds	6.1
Illiquid strategies and options	6.0
Gold and gold equities	5.7
UK equities	20.2
Japan equities	8.0
North America equities	7.4
Europe equities	5.2
Asia ex-Japan equities	1.0
Other equities	0.8

Currency allocation



Sterling	84.1
Yen	6.0
Gold	5.7
Euro	0.2
US dollar	0.1
Other	3.9

Currency allocation

10 largest equity holdings*

Stock	% of fund
BP	3.2
Lloyds Banking Group	3.0
Royal Dutch Shell	2.5
NatWest Group	2.1
Cigna	1.4
Countryside Properties	1.3
Centene	1.1
Barclays	1.1
Equinor	1.1
Wheaton Precious Metals	1.0

5 largest bond holdings

Stock	% of fund
UK Treasury index-linked 0.125% 2068	4.8
UK Treasury index-linked 0.125% 2065	4.3
US Treasury 0.125% TIPS 2023	4.1
UK Treasury 4.0% 2022	3.8
US Treasury index-linked 0.125% TIPS 2022	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 **£5,371.8m**

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	1.63	1.58
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 August 2021, assets managed by the Ruffer Group exceeded £22.9bn.

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