

# LF Ruffer Absolute Return Fund

Positive absolute returns with low volatility



March 2022 Issue 193

During March, the fund price rose by 0.9%. This compared with a rise of 1.3% in the FTSE All-Share Index and a fall of 2.1% in the FTSE Govt All Stocks Index (all figures total returns in sterling).

Operation Stable Door began in earnest during March as the Federal Reserve raised interest rates for the first time in four years to try to contain inflation running at a near-half century high of 7.9%. Government bond yields moved abruptly to price in the most aggressive interest rate hiking cycle since 1994. Global bonds have just endured their worst quarter ever despite war, pestilence (covid disruption in China) and growing fears of a recession. So much for conventional bonds acting as a 'safe haven'. This should not come as a surprise to regular readers of this report, as we have written about the vulnerability of conventional bonds for some time.

What was the impact on the fund? We made positive returns in each of the first three months of this year as both equities and bonds ended up in negative territory. During March long-dated inflation-linked bonds ('linkers') fell in value as yields rose faster than inflation expectations, but our interest rate options – which profit from rising yields – more than offset this fall in value. Active duration management via derivatives continues to be essential to the fund's resilience in a rising yield environment. Long linkers remain a key holding for the world we are heading into and so this balance will be maintained.

While fixed income volatility hasn't been this high since the global financial crisis, equity markets look increasingly complacent, with many recovering all losses since the start of the Ukraine war. We trimmed equity exposure to 35% reflecting greater uncertainty and profit taking in some equity derivative protections. Overall, equities were a positive contributor for the month, with energy stocks once again leading the charge.

Commodity markets continued to perform well with higher prices helping the Australian dollar, where we now have exposure of around 5%. In World war II, America was famously dubbed the 'great arsenal of democracy'. In the era ahead, Australia looks set to be the 'great arsenal of commodities' for western democratic states. On top of this, Australian pension funds may soon start to close their net short position in their domestic currency, adding a further kicker to the Aussie dollar. The allocation was funded from the US dollar.

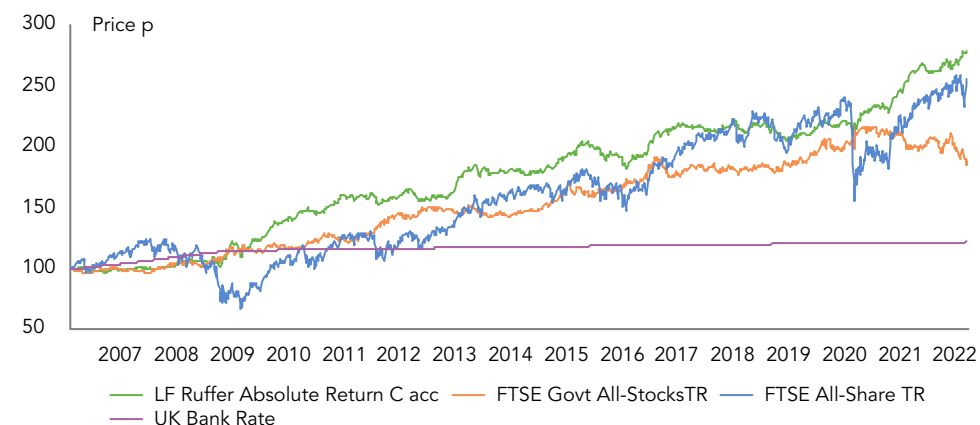
Finally, we added 2% to bullion exposure. Gold exposure and gold mining equities were the largest positive performance driver during the month. Total gold exposure now stands at close to 10%.

Near-term the path ahead remains highly uncertain – as ever, we aim to be resilient whatever happens. Longer-term, covid and the Russia-Ukraine war mark successive great accelerations towards the more inflation-prone and volatile era ahead. We believe we have the right asset mix to deal with the challenges and capture the opportunities in this new regime.

## 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 31 March 2022	p
March 2022	0.9	<b>O accumulation</b>	<b>266.02</b>
Year to date	4.4	<b>O income</b>	<b>196.93</b>
1 year	6.8	<b>C accumulation</b>	<b>278.84</b>
3 years	32.1	<b>C income</b>	<b>206.69</b>
5 years	28.8		
10 years	70.2		

12 month performance to March %	2018	2019	2020	2021	2022
LF Ruffer Absolute Return C acc	-1.5	-1.0	2.9	20.3	6.8
FTSE Govt All-StocksTR	0.5	3.7	9.9	-5.5	-5.1
FTSE All-Share TR	1.2	6.4	-18.5	26.7	13.0
UK Bank Rate	0.4	0.7	0.7	0.1	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 31 Mar 2022

## Asset allocation



## Asset allocation %

Gold exposure and gold equities	11.4
Non-UK index-linked	10.9
Index-linked gilts	10.6
Long-dated index-linked gilts	10.5
Short-dated bonds	9.1
Cash	7.9
Illiquid strategies and options	3.1
UK equities	14.2
North America equities	9.0
Europe equities	6.2
Japan equities	5.5
Other equities	1.5

## Currency allocation



## Currency allocation %

Sterling	60.8
US dollar	14.8
Yen	7.3
Australian dollar	5.6
Euro	2.7
Other	8.8

## 10 largest equity holdings\*

Stock	% of fund
BP	3.0
Shell	2.0
Cigna	1.5
Hertz	1.2
Vodafone Group	1.2
Ambev SA	1.2
Bristol-Myers Squibb	1.0
Aena SME SA	0.8
NatWest Group	0.8
GlaxoSmithKline	0.8

## 5 largest bond holdings

Stock	% of fund
UK Treasury index-linked 2.5% 2024	7.0
US Treasury 0.125% TIPS 2023	4.5
UK Treasury index-linked 0.125% 2068	4.1
US Treasury 0.625% TIPS 2023	3.4
UK Treasury index-linked 0.125% 2065	3.1

\*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](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 **£5,310.2m**

## 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	1.93	1.87
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**

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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 28 February 2022, assets managed by the Ruffer Group exceeded £25.3bn.

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