

LF Ruffer Absolute Return Fund

Positive absolute returns with low volatility

During May, the portfolio rose by 0.3%. This compared with a return on the UK Bank Rate of 0.1%.

Inflation concerns were overtaken by those of growing recession risk during the month and therefore our inflation sensitive gold exposure and index-linked gilt holdings cost the portfolio 0.9% and 1.9% respectively. Payer swaptions continued to play a vital role in hedging the portfolio interest rate exposure and contributed 0.7%. A significant positive performance contribution came from energy stocks (+0.8%).

The carnage in the long-dated inflation-linked bond market should not be understated. The 2073 index-linked bond is down 54% from its November 2021 all-time high, falling 22% in May alone. We have long called these assets the ‘crown jewels’ due to our conviction that they should provide the perfect protection against the world of financial repression we are entering. This remains the case but the sensitivity to rising rates we have warned about has now been felt. This illustrates the distinction we have been labouring; investing for inflation and investing for inflation volatility are not the same thing and conflating the two will be costly. Mr Market will make us crawl through fire for the gift of redemption and derivative protection via the unconventional toolkit remains essential to navigate choppy and dangerous markets. Inflation-linked bonds are now back to pre-Brexit prices - and yet in our assessment the likelihood and proximity of the inflationary denouement is much greater. We believe they offer exceptional asymmetry and we have been buying.

This month saw the UK chancellor impose a windfall tax on energy companies. Setting aside the dubious logic of windfall taxes, the reaction of the stocks was to rise. Ultimately, the setup for companies like BP and Shell is attractive because supply has been constrained due to a combination of a capital cycle and, lately, geopolitical sanctions. This energy crisis is a supply issue that requires supply side solutions. A windfall tax will do little to address the underlying problems, and will perpetuate the supply/demand mismatch which is creating their super-normal profits in the first place. However, crucially, it polls well at a time of popular unrest.

A key question for investors has been whether to buy the dip. The Nasdaq is down 29% from its November 2021 high but we are not convinced that value has emerged. We have only nibbled on equities, more in the pursuit of portfolio balance, than it is bullishness - adding to Japan, Meta and US Housebuilders. The bear market is only beginning to grizzle, the FTSE All-World TR is down only 6% this year. Given the cross-currents in markets and the economy, the short-term is foggy. We must not lose sight of the long-term inflationary dynamics that continue to build and risk eviscerating savers.

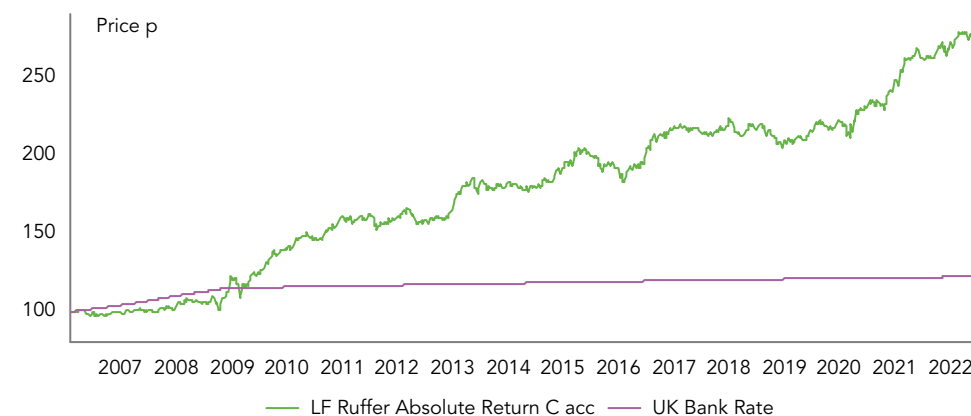


C class May 2022 Issue 195

Investment objective

To seek to achieve positive returns in all market conditions over any 12 month period, after all costs and charges have been taken. Underlying this objective is a fundamental philosophy of capital preservation. Capital invested is at risk and there is no guarantee that a positive return will be delivered over any twelve-month period.

Performance since fund launch on 31 January 2006



C accumulation shares	Performance %	Share price as at 31 May 2022	p
May 2022	0.3	O accumulation	266.15
Year to date	4.5	O income	197.02
1 year	4.3	C accumulation	279.12
3 years	32.7	C income	206.90
5 years	28.2		
10 years	77.6		

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
UK Bank Rate	0.4	0.7	0.7	0.1	0.2

Source: Ruffer LLP

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 May 2022

Asset allocation



Asset allocation %

● Non-UK index-linked	11.8
● Gold exposure and gold equities	11.7
● Index-linked gilts	11.3
● Long-dated index-linked gilts	9.7
● Cash	8.1
● Short-dated bonds	5.3
● Illiquid strategies and options	3.7
● UK equities	12.6
● North America equities	11.8
● Japan equities	6.5
● Europe equities	5.5
● Asia ex-Japan equities	0.6
● Other equities	1.5

Currency allocation

● Sterling	63.6
● Yen	9.9
● US dollar	8.7
● Australian dollar	6.6
● Euro	4.5
● Other	6.7

Currency allocation



10 largest equity holdings*

Stock	% of fund
BP	3.0
Cigna	1.8
Vodafone Group	1.3
Hertz	1.3
Bristol-Myers Squibb	1.2
Ambev SA	1.2
Shell	0.9
Chesapeake Energy	0.9
NatWest Group	0.9
Aena SME SA	0.8

5 largest bond holdings

Stock	% of fund
UK Treasury index-linked 2.5% 2024	7.5
US Treasury 0.125% TIPS 2023	5.0
US Treasury 0.625% TIPS 2023	3.7
UK Treasury index-linked 0.125% 2068	3.7
UK Treasury index-linked 0.125% 2065	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 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 **£5,103.3m**

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

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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.



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 April 2022, assets managed by the Ruffer Group exceeded £26.2bn.

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