

LF Ruffer Absolute Return Fund

Positive absolute returns with low volatility



C class July 2022 Issue 197

During July, the fund price fell by 0.2%. This compared with a return on the UK Bank Rate of 0.1%.

In June almost all asset classes posted a negative return in the face of a surprise increase in the US inflation rate (US CPI rose from 8.3% to 8.6%) and the prospect of increased monetary tightening by the US Federal Reserve. In July, risk appetite roared back even as inflation increased again, from 8.6% to 9.1%, and the US Federal Reserve increased interest rates by 75bps for the second month in a row. The fund was broadly flat on the month, its defensive positioning articulated in last month's factsheet holding it back. Underneath the surface, performance contributions from the fund's equity exposure (+1.4%) and UK long-dated index-linked bonds (+1.1%) were offset by the unconventional protections (-1.6%) and gold exposure (-0.4%).

What explains the positive market outturns in a month which, according to Deutsche Bank, saw one of the steepest quarter-on-quarter declines in underlying company earnings in the last decade? We are back in the territory of bad news being good news for equity and bond markets. Over the last few months, investor expectations have shifted from stagflation risk to recession risk and are now starting to re-price the re-establishment of a Fed 'put' – the moment when the US Federal Reserve will abandon its monetary tightening and focus on growth stabilisation which will either directly or indirectly support equity markets. Interest rate futures now price that the central bank will be cutting interest rates by early next year.

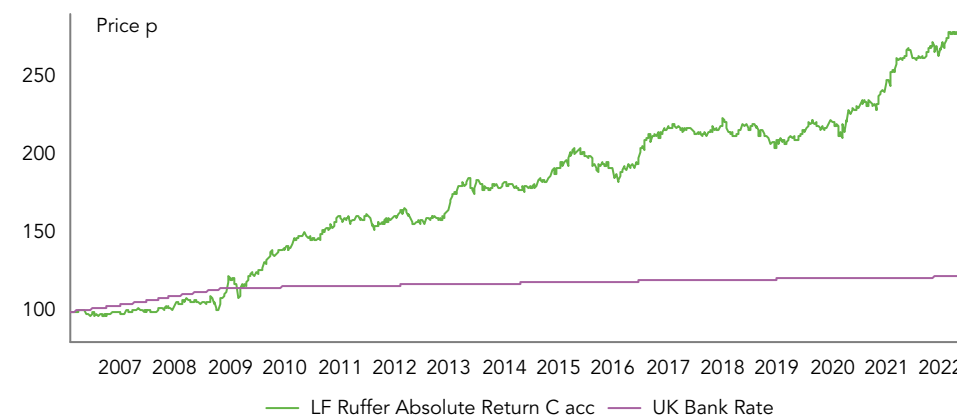
How likely is this outcome? Possible, but not likely. We have been through numerous 'unprecedented' events in the last few years. 'Unprecedented' amounts of peace-time fiscal stimulus in 2020 and 2021, combined with 'unprecedented' monetary policy; but it would be truly unprecedented to slow the economy sufficiently to bring down the highest inflation rate for 40 years with an after-inflation policy rate that never goes positive. It would require a much deeper economic slowdown than is implied in 2023 earnings estimates, which have barely budged.

This bear market is not over, and we believe that we are entering its most dangerous phase. Liquidity is being drained from the financial system. Jamie Dannhauser, Ruffer's Economist, covered this in detail in the latest [Green Line](#). The interest rate on US dollar short-dated bonds is now providing a genuine alternative to taking risk. One of the pushbacks to the view that a move lower in equity markets was likely, was the already extremely bearish investor sentiment and positioning. A low-liquidity summer rally, sucking in those who can't afford relative underperformance, should see this box ticked. We have used the last month's moves to reduce direct equity exposure further to try and ensure the portfolio is robust to the risks we see. Capital preservation is at the forefront of our minds.

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 29 July 2022	p
July 2022	-0.2	O accumulation	254.00
Year to date	-0.3	O income	188.03
1 year	1.7	C accumulation	266.51
3 years	21.8	C income	197.55
5 years	24.7		
10 years	68.2		

12 month performance to June %	2018	2019	2020	2021	2022
LF Ruffer Absolute Return C acc	1.2	-1.6	7.7	13.8	1.7
UK Bank Rate	0.4	0.7	0.6	0.1	0.4

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 29 Jul 2022

Asset allocation



Asset allocation %

Short-dated bonds	23.5
Cash	17.8
Non-UK index-linked	13.4
Index-linked gilts	12.2
Long-dated index-linked gilts	7.7
Gold exposure and gold equities	1.9
Protection strategies and options	1.6
UK equities	8.6
Japan equities	4.5
North America equities	4.2
Europe equities	3.5
Other equities	1.1

Currency allocation %

Sterling	62.1
Yen	14.3
US dollar	12.4
Australian dollar	6.3
Euro	3.6
Other	1.3

Currency allocation



10 largest equity holdings*

Stock	% of fund
BP	2.1
Hertz	1.2
Ambev SA	1.0
Aena SME SA	0.8
Associated British Foods	0.5
Fuji Electric	0.5
NatWest Group	0.5
Melrose Industries	0.5
Unilever	0.5
Sumitomo Mitsui Financial Group	0.5

5 largest bond holdings

Stock	% of fund
UK Treasury index-linked 2.5% 2024	8.2
US Treasury 0.125% TIPS 2023	7.9
US Treasury FRN 2023	5.3
US Treasury FRN 2023	5.3
US Treasury FRN 2024	5.3

*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 £4,654.3m

Fund information

%	O class	C class
Ongoing Charges Figure	1.51	1.23
Annual management charge	1.50	1.20
Maximum initial charge	7.5	7.5
Yield	2.02	1.96
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 June 2022, assets managed by the Ruffer Group exceeded £26.0bn.

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