

# LF Ruffer Absolute Return Fund

Positive absolute returns with low volatility



I class October 2018 Issue 152

The price of the I accumulation shares of the LF Ruffer Absolute Return Fund fell by 2.1% during October, compared with a decline of 5.2% in the FTSE All-Share Index and a rise of 0.9% in the FTSE All Stocks Index.

Eight months on from February's volatility shock, October served to remind investors that risk assets are so called for a reason. Despite a recovery at the end of the month global equities fell by nearly 6% in October and what was notable this time was that the technology giants, which have dominated equity markets this year, led the fall, with the share prices of companies such as Amazon and Netflix down over 20% from their recent highs.

As so often happens after such a drop in equity values, various explanations are proposed. Our overriding concern over the last year or so, and the main driver of our cautious equity allocation, has been that the coming change in central bank policy would not be a smooth one. Monetary tightening from the US Federal Reserve and later this year the tapering of asset purchases by the European Central Bank, will unsettle markets after nine years of monetary largesse. Moreover with the US economy strong, and wage growth there responding to the lowest unemployment levels since 1969, we strongly believe the Fed is likely to need a substantial market fall, or economic slump, before contemplating a change of course, whatever the views of the present incumbent of the White House. To our eyes it is fanciful to expect mid-single digit drops in equities even to feature on the Fed's radar. Higher US interest rates, now at 2.25%, are only one side of this story of reduced liquidity, with quantitative tightening now running at \$50bn per month as the Fed seeks to shrink its balance sheet.

We obviously do not know whether the present turbulence will blow over or if it is a prelude to a more substantial fall in equity markets. Alongside this removal of liquidity, concerns are growing as to whether the economic and profit cycles are approaching their peak, and trade wars, Brexit and Italian budget discussions continue to hover in the background. However, the resumption of share buybacks in the US may provide support to equity markets, and last month saw the announcement of further fiscal stimulus from China, this time in the form of income tax cuts. Following last month's decline and February's fall, the more episodes we have like this, the greater the risk of a significant downturn and the people who have previously bought the dips, feeling less inclined to do so.

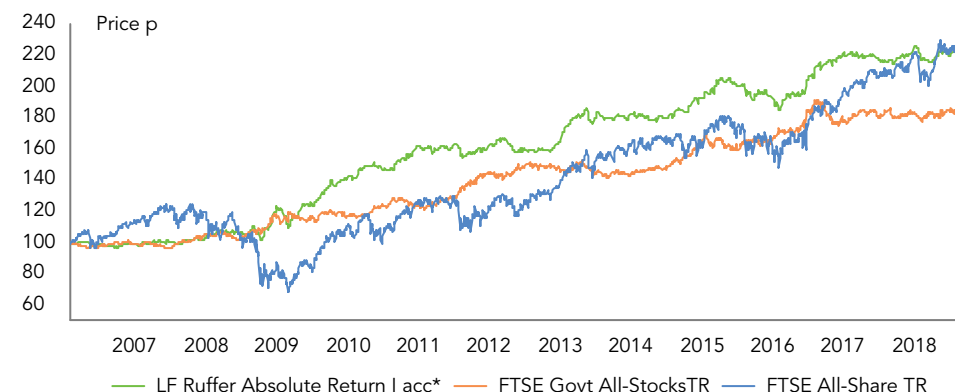
In that context we are not minded to increase our equity weighting on the back of these falls. We maintain around 40% in equities alongside the portfolio's unconventional protections, gold and index-linked bonds, which we hope will offset losses and produce positive total returns even if the equity environment were to worsen from here.

The fund's prospectus and key investor information documents are provided in English and available on request or from [www.ruffer.co.uk](http://www.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.

## 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



Performance %	October 2018	Year to date	1 year	3 years	5 years	10 years
I accumulation shares	-2.1	-2.9	-1.6	9.3	18.5	105.3

Percentage growth (I acc)	%	Share price as at 31 October 2018	p
30 Sep 2017 – 30 Sep 2018	1.8	I income	169.84
30 Sep 2016 – 30 Sep 2017	0.6	I accumulation	215.16
30 Sep 2015 – 30 Sep 2016	12.5		
30 Sep 2014 – 30 Sep 2015	3.1		
30 Sep 2013 – 30 Sep 2014	3.3		

Source: Ruffer LLP, FTSE International (FTSE)†. \* This share class has performance data calculated prior to the inception date, 8 Aug 2012. This is based upon a simulated/extended track record, using the track record of LF Ruffer Absolute Return Fund C acc.

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 Oct 2018

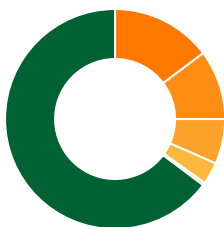
## Asset allocation



### Asset allocation %

● Non-UK index-linked	20.7
● Long-dated index-linked gilts	14.9
● Cash	7.5
● Gold and gold equities	6.5
● Index-linked gilts	6.2
● Illiquid strategies and options	3.1
● Short-dated bonds	3.1

## Currency allocation



### Currency allocation %

● Sterling	64.7
● US dollar	14.8
● Yen	10.3
● Gold	6.6
● Euro	0.5
● Other	3.2

## 10 largest of 57 equity holdings\*

Stock	% of fund
Mitsubishi UFJ Financial	2.2
Sumitomo Mitsui Financial Group	2.1
Tesco	1.8
Walt Disney Company	1.7
Dai-ichi Life Insurance	1.6
Vivendi	1.5
Lloyds Banking Group	1.4
T&D	1.4
BP	1.3
Sony	1.2

## 5 largest of 20 bond holdings

Stock	% of fund
UK Treasury index-linked 1.25% 2055	3.9
UK Treasury index-linked 0.375% 2062	3.8
US Treasury TIPS 1.25% 2020	3.7
UK Treasury index-linked 1.875% 2022	3.3
US Treasury index-linked 0.125% TIPS 2022	3.2

\*Excludes holdings in pooled funds  
Source: Ruffer LLP. Pie chart totals may not equal 100 due to rounding.

Fund size **£5,268.8m**

## Fund information

	%
Ongoing Charges Figure	1.03
Annual management charge	1.00
Maximum initial charge	7.5
Yield	1.36
Minimum investment	£30m
Ex dividend dates	15 Mar, 15 Sep
Pay dates	15 May, 15 Nov
Dealing	Weekly forward to 10am Wednesday, based on NAV Plus forward from 10am on last Wednesday of the month to last business day of the month

	Accumulation	Income
ISIN	GB00B81SXL02	GB00B83HRZ70

SEDOL	B81SXL0	B83HRZ7
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Investment adviser	Ruffer LLP
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ACD	Link Fund Solutions Limited
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Depository	The Bank of New York Mellon (International) Limited
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Auditors	Ernst & Young LLP
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Structure	Sub-fund of Asperior Investment Funds (OEIC) UK domiciled UCITS Eligible for ISAs
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Dealing line **0345 601 9610**

## 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. He is also co-manager of the Ruffer Investment Company.



### 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.



## Ruffer LLP

Ruffer LLP manages investments on a discretionary basis for private clients, trusts, charities and pension funds. As at 30 September 2018, assets managed by the Ruffer Group exceeded £21.8bn.

## Enquiries

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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.

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