

# LF Ruffer Absolute Return Fund

Positive absolute returns with low volatility



During February, the fund price fell by 1.8%. This compared with a rise of 2.3% in the FTSE All-Share Index and a decline of 0.9% in the FTSE Govt All Stocks Index (all figures total returns in sterling).

We are currently positioned to try to capture some of the bounce in markets, but we have not compromised on protection in order to achieve this. In January this was reasonably effective (+3%) but in February protective assets have been a drag on performance. This month we thought it would be helpful to share our answers to questions that have been raised recently by investors.

Given your cautious outlook, why do you hold high-beta cyclical businesses? We currently have a low weighting to equities (38%). Their role is to make us money if we are wrong (or early) in having a cautious outlook and they need to punch hard to offset the cost of protective assets. A sustained rally in markets (not our core thesis) will be driven by supportive monetary policy or a stronger-for-longer economy – an environment where cyclical businesses will benefit most. This scenario is also likely to see an initial period of rising real interest rates, which would hurt index-linked bonds.

You have been concerned about credit markets – how will you benefit from that insight and why does it matter if I don't hold corporate bonds? We have exposure to credit default swaps, which will rise in value as credit spreads widen (ie investors price greater risk into corporate bonds). The root of our concern lies in the rising tide of low interest rates and abundant liquidity over the last decade. This has led to a bonanza in corporate debt issuance as savers reached for yield. This tide is now receding. Many corporate bonds are illiquid and are held in vehicles promising daily or weekly liquidity; not a problem when flows are positive but deeply problematic when they reverse. A blow-up in corporate credit has wider implications – rising corporate borrowing costs will affect equity prices and the illiquidity of corporate bonds means that investors will turn to more liquid markets (equities) to de-risk if they cannot sell corporate bonds.

Why have you reduced exposure to Japanese equities? We reduced overall equity exposure last year and felt that this should include Japan. The sales were focused on financial stocks as the biting point for global rates appears now to be lower than previously anticipated. However, the domestic story around Abenomics remains compelling. Corporate governance reforms and ROE targets are working. The most tangible impact has been rising dividends and share buybacks seen across our holdings. We expect this to continue as Japanese companies still hold too much cash on their balance sheets.

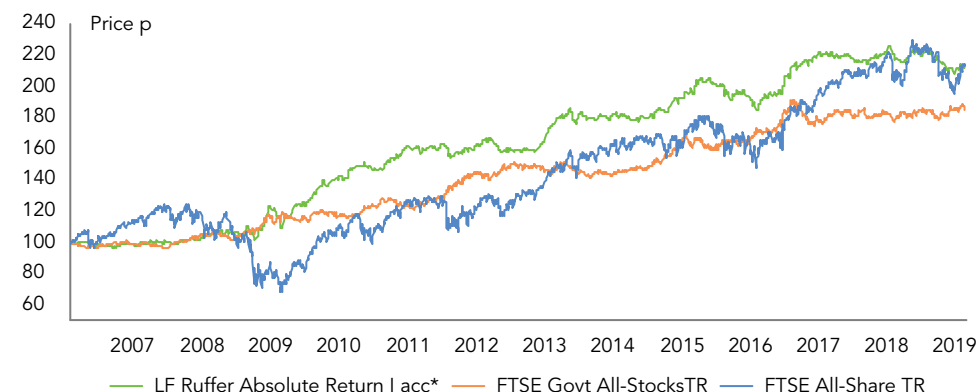
How has gold exposure changed in the last year? We increased exposure to bullion in July and then in September partially switched into gold miners. Both of these changes had a positive impact as the initial rise in the gold price was followed by a period of M&A in the sector.

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 %	February 2019	Year to date	1 year	3 years	5 years	10 years
I accumulation shares	-1.8	1.3	-3.5	11.0	15.8	86.8
<b>Percentage growth (I acc)</b>	<b>%</b>		<b>Share price as at 28 February 2019</b>			
31 Dec 2017 – 31 Dec 2018	-6.3		<b>I income</b>			
31 Dec 2016 – 31 Dec 2017	1.2		<b>I accumulation</b>			
31 Dec 2015 – 31 Dec 2016	13.1		<b>165.91</b>			
31 Dec 2014 – 31 Dec 2015	0.6		<b>210.19</b>			
31 Dec 2013 – 31 Dec 2014	6.0					

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 28 Feb 2019

## Asset allocation



### Asset allocation %

● Non-UK index-linked	26.0
● Long-dated index-linked gilts	13.7
● Cash	8.6
● Gold and gold equities	7.4
● Illiquid strategies and options	4.2
● Index-linked gilts	2.0
● North America equities	10.4
● UK equities	10.1
● Japan equities	9.0
● Europe equities	5.4
● Asia ex-Japan equities	3.2

### Currency allocation %

● Sterling	72.1
● US dollar	7.4
● Gold	7.4
● Yen	5.3
● Euro	3.6
● Other	4.2

## Currency allocation



## 10 largest of 58 equity holdings\*

Stock	% of fund
Tesco	2.0
Walt Disney Company	1.9
Vivendi	1.7
Lloyds Banking Group	1.6
BP	1.5
Cigna Corporation	1.4
ExxonMobil	1.4
Sumitomo Mitsui Financial Group	1.3
Mitsubishi UFJ Financial	1.3
DowDuPont	1.2

## 5 largest of 22 bond holdings

Stock	% of fund
UK Treasury index-linked 1.25% 2055	3.7
UK Treasury index-linked 0.375% 2062	3.6
US Treasury index-linked 0.125% TIPS 2022	2.9
US Treasury 0.375% TIPS 2023	2.7
US Treasury 0.125% TIPS 2022	2.6

\*Excludes holdings in pooled funds

Source: Ruffer LLP.

Pie chart totals may not equal 100 due to rounding.

Fund size **£4,892.4m**

## Fund information

Ongoing Charges Figure	1.03
Annual management charge	1.00
Maximum initial charge	7.5
Yield	1.39
Minimum investment	£30m
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
ISIN	Accumulation GB00B81SXL02 Income GB00B83HRZ70
SEDOL	B81SXL0 B83HRZ7
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**

## 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.



## Ruffer LLP

Ruffer LLP manages investments on a discretionary basis for private clients, trusts, charities and pension funds. As at 31 January 2019, assets managed by the Ruffer Group exceeded £21.1bn.

## Enquiries

Ruffer LLP +44 (0)20 7963 8254  
80 Victoria Street rif@ruffer.co.uk  
London  
SW1E 5JL [www.ruffer.co.uk](http://www.ruffer.co.uk)

The views expressed in this report are not intended as an offer or solicitation for the purchase or sale of any investment or financial instrument. The views reflect the views of Ruffer LLP at the date of this document and, whilst the opinions stated are honestly held, they are not guarantees and should not be relied upon and may be subject to change without notice.

The information contained in this document does not constitute investment advice and should not be used as the basis of any investment decision. References to specific securities are included for the purposes of illustration only and should not be construed as a recommendation to buy or sell these securities. Ruffer LLP has not considered the suitability of this fund against any specific investor's needs and/or risk tolerance. If you are in any doubt, please speak to your financial adviser.

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.

† © FTSE 2019. 'FTSE®' is a trade mark of London Stock Exchange Group companies and is used by FTSE under licence. All rights in the FTSE Data vest in FTSE and/or its licensors. Neither FTSE nor its licensors accept any liability in relation to the FTSE Data data. No further distribution of FTSE Data is permitted without FTSE's express written consent.

Issued by Ruffer LLP, 80 Victoria Street, London SW1E 5JL  
Ruffer LLP is authorised and regulated by the Financial Conduct Authority. © Ruffer LLP 2019