

LF Ruffer Absolute Return Fund

Positive absolute returns with low volatility



I class June 2020 Issue 172

During June, the fund price rose by 0.2%. This compared with a rise of 1.5% in the FTSE All-Share Index and a decrease of 0.6% in the FTSE Govt All Stocks Index (all figures total returns in sterling).

As we reach the halfway point in this tumultuous year, it is worth taking stock of what has happened so far, and how we were able both to preserve capital through the initial market crisis and also benefit from the more recent rally. After a positive start to 2020, stock markets plunged in March on escalating fears of the global impact of COVID-19, with credit markets exhibiting a similar panic. In the fastest decline in stock market history, equity markets fell by a third in just 22 days, hitting their lows on 23 March, the very day the UK officially went into lockdown.

Cue the cavalry. Stock markets rallied in the second quarter as central banks, very much led by the US, swung into their now habitual role of supporting asset prices. The size of the monetary and fiscal intervention is unprecedented in peacetime and we wait to see whether it is sufficient to keep businesses and employment afloat, but for now at least, it has been a big enough bazooka to reassure investors. In April and May equity markets duly recorded one of their fastest recoveries. The US Federal Reserve was pumping money into the system, even buying junk (high yield) bonds and everything was back to normal, except of course it isn't.

What of the Ruffer portfolio through all of this? Whilst we in no way foresaw the coronavirus pandemic, with our core focus on capital preservation, if we are doing our job properly we would hope to navigate such crises in relatively good shape. We always hold protection in our portfolio against difficult times and have been particularly nervous of markets in recent years. Accordingly, we take only limited credit for emerging from the first quarter virtually unscathed, and indeed posting a positive return in March, as risk assets tumbled and our investments in 'fear' really did their job.

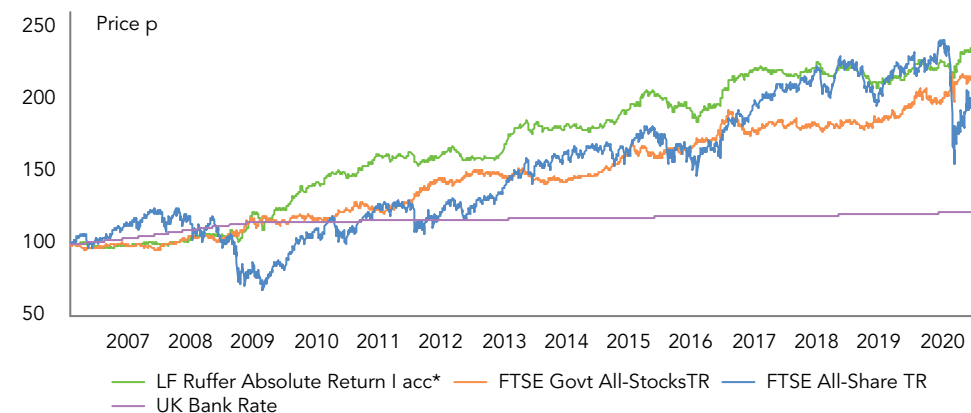
Since then stock markets have rallied, though whether this is based on a sober assessment of the true impact of the virus, or a sugar rush from central bank liquidity, is open to question. Having protected capital in the dark times, it is a cause for some satisfaction that we were able to make money from that stable base in the recovery. With no increase in risk (we retain a low but potent exposure to equities and still hold significant credit protections), we made decent returns as markets recovered, especially in April and May. A gain of 6.3% in the second quarter leaves us comfortably in positive territory year to date. Looking forward, uncertainty rules of course, but our equities are biased towards recovery and value, and so did well as hope returned to markets and should flourish if this continues. However, in what may be a harbinger of things to come, inflation-linked bonds and gold have driven recent performance just as much as, if not more than, equities.

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.

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 %	June 2020	Year to date	1 year	3 years	5 years	10 years
I accumulation shares	0.2	3.9	7.9	7.8	16.4	60.1
Percentage growth (I acc)	%		Share price as at 30 June 2020			
30 Jun 2019 – 30 Jun 2020	7.9		I income		180.80	
30 Jun 2018 – 30 Jun 2019	-1.4		I accumulation		234.51	
30 Jun 2017 – 30 Jun 2018	1.4					
30 Jun 2016 – 30 Jun 2017	8.4					
30 Jun 2015 – 30 Jun 2016	-0.3					

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.

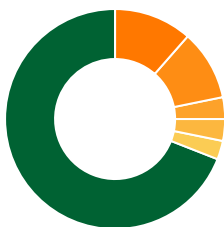
Ruffer performance is shown after deduction of all fees and management charges, and on the basis of income being reinvested. Past performance is not a guide to future performance. The value of the shares and the income from them can go down as well as up and you may not get back the full amount originally invested. The value of overseas investments will be influenced by the rate of exchange.

LF Ruffer Absolute Return Fund as at 30 Jun 2020

Asset allocation



Currency allocation



Asset allocation %

● Non-UK index-linked	23.8
● Long-dated index-linked gilts	12.3
● Gold and gold equities	11.2
● Short-dated bonds	9.6
● Illiquid strategies and options	7.4
● Cash	5.0
● Index-linked gilts	2.0

● UK equities	10.3
● Japan equities	6.4
● North America equities	5.2
● Europe equities	4.8
● Asia ex-Japan equities	2.0

Currency allocation %

● Sterling	69.1
● Gold	11.4
● Yen	10.4
● US dollar	3.2
● Euro	2.8
● Other	3.1

10 largest equity holdings*

Stock	% of fund
iShares Physical Gold	2.9
Lloyds Banking Group	2.3
Kinross Gold	1.5
Wheaton Precious Metals	1.3
Tesco	1.2
ArcelorMittal	0.9
Royal Bank of Scotland	0.9
American Express	0.9
Mitsubishi Electric	0.7
Hennes & Mauritz	0.7

5 largest bond holdings

Stock	% of fund
UK Treasury 1.5% 2021	7.6
UK Treasury index-linked 0.125% 2068	5.0
US Treasury 0.25% TIPS 2050	4.2
US Treasury 0.875% TIPS 2029	3.7
UK Treasury index-linked 1.25% 2055	3.4

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

Fund size **£4,658.2m**

Fund information

	%
Ongoing Charges Figure	1.02
Annual management charge	1.00
Maximum initial charge	7.5
Yield	1.59
Minimum investment	£25m
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	Income
	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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Enquiries

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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.



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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.

Ruffer LLP

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