

LF Ruffer Absolute Return Fund

Positive absolute returns with low volatility

During August, the fund price rose by 0.6%. This compared with a rise of 2.7% in the FTSE All-Share Index, and a fall of 0.8% in the FTSE Govt All Stocks Index (all figures are total returns in sterling).

In reviewing the month just gone there has been no predominant driver for our performance. Equities have provided a small positive return with the beneficiaries of reflation (and economic recovery) making back some of their losses from earlier in the summer. Inflation-linked bonds were broadly flat for the month after a last day fall of some 5% in the longest dated bonds in the UK. The fall was catalysed by comments from the European Central Bank reminding us that emergency policy may not be around forever. While this does not undermine the longer-term case for inflation-linked bonds (and they have performed very strongly in the last few months), it illustrates the short term dangers that we need to guard against.

There have been two competing forces at play in August. In simple terms this is the path of liquidity in financial markets versus the fundamentals of the real economy. It will likely be the interplay between these two forces that will dictate the path of markets for the remainder of the year.

Taking liquidity first. Financial conditions have remained plentiful, something most clearly illustrated by the fact that monthly inflows into equity funds in August exceeded the annual inflows for 13 out of the last 20 years - and this is during a month that is usually characterised by outflows. The market appears to have taken comfort from Jay Powell's comments at the Jackson Hole symposium that tapering will be gradual and that rates will remain nailed to the floor for some time. We agree that liquidity conditions will remain supportive, but we need to be cognisant of the risks of rising yields once the perennial buyer (central banks) steps away even marginally. For that reason, we have used the strong performance in bond markets in recent months to reduce the Fund's duration to close to zero. Any rise in bond yields has the potential to be disruptive, therefore having a full allocation to swaptions (as we did throughout the first quarter) will likely be helpful for the remainder of the year. Although bond yields may not rise substantially, the extent to which the market is assuming they will not rise at all presents a risk - it is the certainty that is currently priced in which causes us concern.

The path of economic fundamentals has most obviously been influenced by the path of the delta variant. The data in Europe and the UK remains more encouraging than the US, but in both geographies we would argue that fears are likely overdone and the political appetite for widespread lockdowns is low. In that context the economic impulse through the remainder of the year could be very powerful. It is for this reason that we reinforced exposure to cyclical equities (primarily through energy companies) during the month.

Finally, when looking at the make-up of our equities healthcare remains a large allocation; the third largest after financials and energy. This sector looked undervalued during the presidential election when there were fears that a Democratic president would push for significant reform. With Biden's approval rating now dropping below that of Donald Trump at the end of his presidency, wide-ranging reform looks even less likely and these companies could re-rate and perform well.

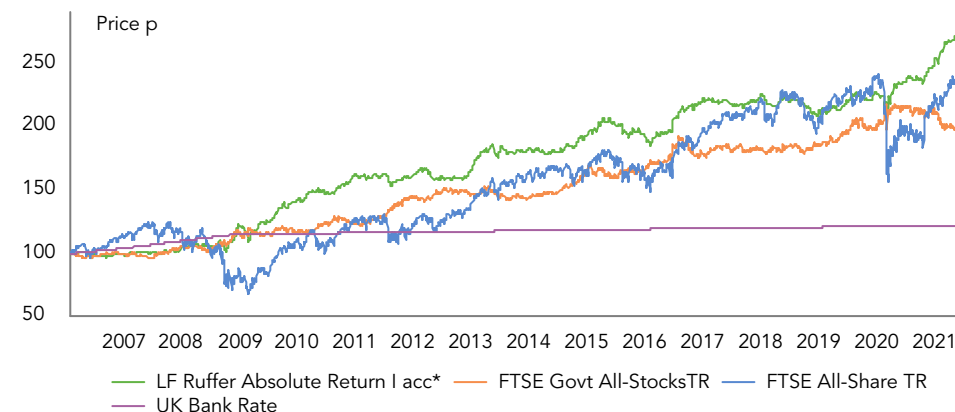
Ruffer performance is shown after deduction of all fees and management charges, and on the basis of income being reinvested. Past performance is not a guide to future performance. The value of the shares and the income from them can go down as well as up and you may not get back the full amount originally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



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



I accumulation shares	Performance %	Share price as at 31 August 2021	p
August 2021	0.6	I income	205.37
Year to date	8.4	I accumulation	268.38
1 year	13.7		
3 years	22.1		
5 years	24.9		
10 years	72.5		

12 month performance to June %	2017	2018	2019	2020	2021
LF Ruffer Absolute Return I acc*	8.4	1.4	-1.4	7.9	14.0
FTSE Govt All-StocksTR	-0.9	1.9	4.9	11.2	-6.2
FTSE All-Share TR	18.1	9.0	0.6	-13.0	21.5
UK Bank Rate	0.3	0.4	0.7	0.6	0.1

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.

LF Ruffer Absolute Return Fund as at 31 Aug 2021

Asset allocation



Asset allocation %

● Non-UK index-linked	15.2
● Long-dated index-linked gilts	15.1
● Index-linked gilts	6.6
● Gold and gold equities	6.2
● Short-dated bonds	6.0
● Illiquid strategies and options	4.8
● Cash	2.6
● UK equities	19.4
● Japan equities	8.0
● North America equities	8.0
● Europe equities	5.1
● Asia ex-Japan equities	2.0
● Other equities	0.9

Currency allocation

● Sterling	81.1
● Yen	6.3
● Gold	6.3
● US dollar	1.0
● Euro	0.2
● Other	5.0

Currency allocation



10 largest equity holdings*

Stock	% of fund
Lloyds Banking Group	2.8
BP	2.8
Royal Dutch Shell	2.2
NatWest Group	2.0
Countryside Properties	1.5
Cigna	1.4
Wheaton Precious Metals	1.2
Centene	1.1
Equinor	1.1
Barclays	1.0

5 largest bond holdings

Stock	% of fund
UK Treasury index-linked 0.125% 2068	6.4
UK Treasury index-linked 0.125% 2065	5.5
UK Treasury 4.0% 2022	3.8
UK Treasury index-linked 0.375% 2062	3.2
US Treasury 0.125% TIPS 2023	3.0

*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 **£5,308.4m**

Fund information

	%
Ongoing Charges Figure	1.01
Annual management charge	1.00
Maximum initial charge	7.5
Yield	0.78
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

	Accumulation	Income
ISIN	GB00B81SXL02	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

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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.



Ruffer LLP

Ruffer LLP manages investments on a discretionary basis for private clients, trusts, charities and pension funds. As at 31 July 2021, assets managed by the Ruffer Group exceeded £22.7bn.

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