

# LF Ruffer Absolute Return Fund

Positive absolute returns with low volatility

During December, the fund price rose by 0.2%. This compared with a rise of 4.7% in the FTSE All-Share Index and a decrease of 2.7% in the FTSE Govt All Stocks Index (all figures total returns in sterling). This rounded off a solid year for the fund (+10.0%) and consolidated the gains made in the previous two years with the three year annualised return now running at 9.5%.

December began in the aftermath of the sell-off in reopening-sensitive assets, such as energy and cyclical. The sharp decline in bond yields seen at the end of November continued into early December, as the discovery of the new Omicron variant threatened the vaccine-led economic recovery globally. We took advantage of this sell-off to reinforce core equity positions in energy, financials and industrials. This allowed the equity weight to rise marginally to 42%.

Overall, equities added +2.2% to the monthly return (with financials being the largest contributor) as evidence grew that Omicron might be less dangerous than first thought. Derivative protection (-0.4%) was a drag, as successes with equity put options were outweighed by a fall in credit spreads. Equity put options are held to protect against a withdrawal of liquidity by the Fed, and credit protection for weakness in the real economy.

Inflation-linked bonds detracted 1.6% from the monthly return as bond yields rose and inflation expectations did not. This is a dynamic that may persist in 2022 as economic strength continues and central banks begin to tighten. As a result, we reduced portfolio duration significantly, to nearly zero by the month end, using interest rate options.

At the same time, we retain our high conviction in both financial and energy equities. For financials, many investors cannot contemplate buying them and this is providing some spectacular prospective return opportunities. UniCredit's decision (and ability) to return 50% of its market cap to shareholders within the next three years shows just how undervalued they are. Rising real yields, which hurt index-linked bonds (which we own) and highly valued growth and tech stocks (which we do not own), should be accompanied by rising earnings for financial stocks. The picture for energy stocks is similar. There is something of a catch-22 in energy markets: energy demand continues to rise even as the world navigates the path to net zero, but there is a lack of investment in reliable supply, even though it is crucial to the net zero solution. This leaves higher energy prices the likely outcome and cheap valuations the entry point. We continue to focus on engaging with these companies to help and encourage them on the energy transition journey. The average energy stock in the fund returned 40% in 2021 and the average financial stock returned 35%.

We enter 2022 satisfied that our all-weather investment strategy has fared well through a wide range of investment conditions in the last three years. However, for all investors things are likely to get more rather than less difficult from here. In order to protect and grow their savings, investors will need to focus on risk rather than return and adopt a multi-asset approach containing genuinely uncorrelated assets.

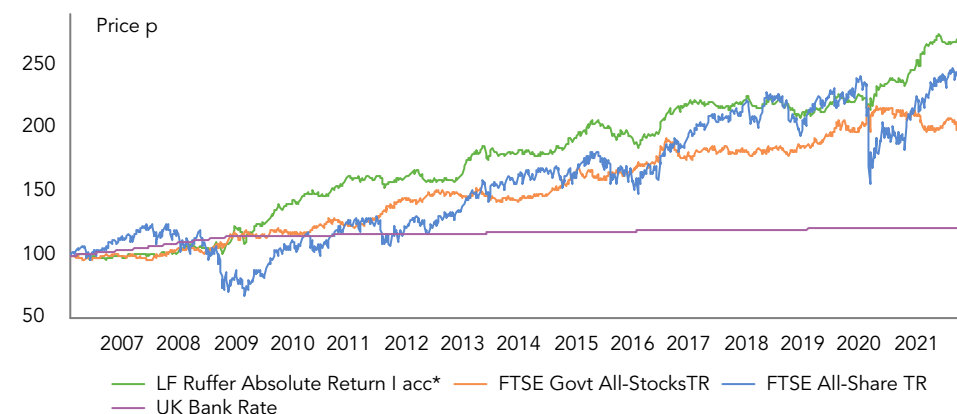
Ruffer performance is shown after deduction of all fees and management charges, and on the basis of income being reinvested. Past performance is not a guide to future performance. The value of the shares and the income from them can go down as well as up and you may not get back the full amount originally 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 December 2021	p
December 2021	0.2	I income	206.49
Year to date	10.0	I accumulation	272.47
1 year	10.0		
3 years	31.3		
5 years	24.5		
10 years	69.0		

12 month performance to December %	2017	2018	2019	2020	2021
LF Ruffer Absolute Return I acc*	1.2	-6.3	8.7	9.7	10.0
FTSE Govt All-StocksTR	1.8	0.6	6.9	8.3	-5.2
FTSE All-Share TR	13.1	-9.5	19.2	-9.8	18.3
UK Bank Rate	0.3	0.6	0.8	0.2	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 Dec 2021

## Asset allocation



## Asset allocation %

● Long-dated index-linked gilts	12.8
● Non-UK index-linked	12.3
● Index-linked gilts	9.6
● Gold exposure and gold equities	7.9
● Illiquid strategies and options	5.7
● Cash	4.1
● Short-dated bonds	3.6
● UK equities	17.4
● North America equities	10.4
● Japan equities	8.0
● Europe equities	6.7
● Asia ex-Japan equities	0.1
● Other equities	1.3

## Currency allocation

● Sterling	85.2
● Yen	7.9
● Euro	3.9
● Other	3.0

## Currency allocation



## 10 largest equity holdings\*

Stock	% of fund
Lloyds Banking Group	2.7
BP	2.7
NatWest Group	2.1
Royal Dutch Shell	2.0
Cigna	1.7
Bristol-Myers Squibb	1.3
Countryside Properties	1.2
Centene	1.1
Volkswagen	1.0
Ambev SA	1.0

## 5 largest bond holdings

Stock	% of fund
UK Treasury index-linked 2.5% 2024	6.1
UK Treasury index-linked 0.125% 2068	5.0
US Treasury 0.125% TIPS 2023	4.1
UK Treasury index-linked 0.125% 2065	3.8
US Treasury 0.625% 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](http://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 **£5,268m**

## Fund information

	%
Ongoing Charges Figure	1.01
Annual management charge	1.00
Maximum initial charge	7.5
Yield	1.53
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	

Dealing line **0345 601 9610**

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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 30 November 2021, assets managed by the Ruffer Group exceeded £23.7bn.

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