

# LF Ruffer Absolute Return Fund

Positive absolute returns with low volatility

During January, the fund price rose by 0.5%. This compared with a fall of 0.3% in the FTSE All-Share Index and a fall of 3.9% in the FTSE Govt All Stocks Index (all figures total returns in sterling).

Investors returned from the holiday period to face the prospect of much tighter financial conditions led by the US Federal Reserve. There are signs that higher inflation is embedding itself across the US economy, notably the labour market, and will not necessarily ease once supply chain disruptions abate. With interest rates close to zero and consumer price inflation at 7%, US policymakers are reacting to the realisation that conditions have been too accommodative for too long. Current expectations see four rate hikes in 2022, up from two at the turn of the year. Investors are forced to adapt to a world where the Fed now shows greater willingness to withstand financial market volatility in combatting inflation. The anticipation of rising rates provided a difficult backdrop for our inflation-linked bonds during the month, but this headwind was offset by the positive contribution from interest rate options. These options remain a key portfolio component and allow us to manage the fund's interest rate sensitivity in what we expect will be a volatile period for bond markets. The fund's duration remained close to zero as we ended the month.

Global equities offered little respite for investors, recording their worst monthly return (-4.5%) since March 2020. The declines were even greater for the technology focused Nasdaq composite (-9.0%), confirming our fears that the faster growing and more speculative parts of the equity market would be most acutely impacted by a rising cost of capital. Growing geopolitical tensions emanating from Russia and Ukraine did little to improve risk appetite. On a historical basis, inflation above 3% sees the correlation between bonds and equities turn positive and January provided a brief taste of the challenges conventional portfolios will encounter as monetary conditions tighten.

We are pleased to have delivered a positive return over the month when index level returns for both bonds and equities were negative. Despite the challenging backdrop, there were pockets of resilience as more cyclically exposed equities, which had been out of favour for much of the last decade, returned to prominence. Our equities, which are heavily tilted to this part of the market, contributed a positive return over the month. The most significant drivers of performance were the energy majors, which continued to rally as oil prices reached a seven year high. Demand remains strong and supply constrained, supporting our continued exposure across the energy sector. Elsewhere, bank stocks benefited from the rise in yields, supporting their position as an offset to the inflation-linked bonds. We resisted the urge to add meaningfully to equities during the recent weakness and instead maintain the current exposure at just below 40%.

The Federal Reserve may be the first mover, but the current inflationary pressures are not confined to the US. Other central banks will face pressures to join them in attempting to remove the stimulus punchbowl. The coming interest rate cycle is unlikely to be as well choreographed or as smooth as the last, resulting in continued uncertainty and a testing time for financial assets. We believe we have the right toolkit to survive and perhaps thrive in this environment.

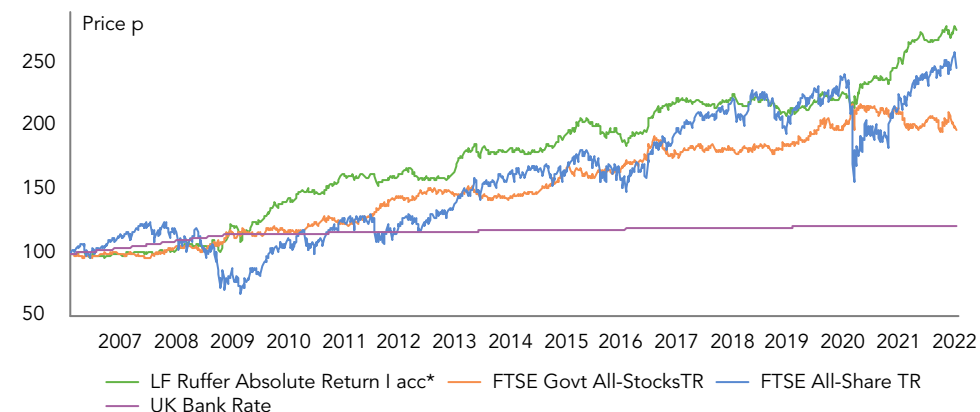
Ruffer performance is shown after deduction of all fees and management charges, and on the basis of income being reinvested. Past performance is not a guide to future performance. The value of the shares and the income from them can go down as well as up and you may not get back the full amount originally 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 January 2022 | p      |
|-----------------------|---------------|-----------------------------------|--------|
| January 2022          | 0.5           | I income                          | 207.53 |
| Year to date          | 0.5           | I accumulation                    | 273.84 |
| 1 year                | 10.0          |                                   |        |
| 3 years               | 27.9          |                                   |        |
| 5 years               | 24.3          |                                   |        |
| 10 years              | 68.7          |                                   |        |

| 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 Jan 2022

## Asset allocation



## Asset allocation %

|                                   |      |
|-----------------------------------|------|
| ● Non-UK index-linked             | 13.8 |
| ● Long-dated index-linked gilts   | 11.5 |
| ● Index-linked gilts              | 10.4 |
| ● Gold exposure and gold equities | 8.3  |
| ● Cash                            | 7.6  |
| ● Illiquid strategies and options | 5.8  |
| ● Short-dated bonds               | 2.9  |
| ● UK equities                     | 16.2 |
| ● North America equities          | 8.6  |
| ● Japan equities                  | 7.7  |
| ● Europe equities                 | 6.0  |
| ● Other equities                  | 1.3  |

## Currency allocation

|             |      |
|-------------|------|
| ● Sterling  | 76.0 |
| ● Yen       | 9.6  |
| ● US dollar | 4.0  |
| ● Euro      | 3.4  |
| ● Other     | 7.0  |

## Currency allocation



## 10 largest equity holdings\*

| Stock                           | % of fund |
|---------------------------------|-----------|
| BP                              | 2.2       |
| Royal Dutch Shell               | 2.1       |
| Lloyds Banking Group            | 2.1       |
| NatWest Group                   | 2.0       |
| Cigna                           | 1.6       |
| Bristol-Myers Squibb            | 1.1       |
| Mitsubishi UFJ Financial Group  | 1.0       |
| Sumitomo Mitsui Financial Group | 1.0       |
| Ambev SA                        | 1.0       |
| Aena SME SA                     | 0.9       |

## 5 largest bond holdings

| Stock                                | % of fund |
|--------------------------------------|-----------|
| UK Treasury index-linked 2.5% 2024   | 6.9       |
| UK Treasury index-linked 0.125% 2068 | 4.8       |
| US Treasury 0.125% TIPS 2023         | 4.3       |
| UK Treasury index-linked 0.125% 2065 | 3.7       |
| US Treasury 0.625% TIPS 2023         | 3.3       |

\*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 £5,334.3m

## Fund information

|                          |   |
|--------------------------|---|
|                          | %   |
| Ongoing Charges Figure   | 1.01  |
| Annual management charge | 1.00  |
| Maximum initial charge   | 7.5   |
| Yield                    | 1.52  |
| 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<br>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<br>GB00B81SXL02  | Income<br>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)<br>UK domiciled UCITS<br>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 31 December 2021, assets managed by the Ruffer Group exceeded £24.0bn.

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