

# LF Ruffer Absolute Return Fund

Positive absolute returns with low volatility



I class February 2022 Issue 192

During February, the fund price rose by 2.9%. This compared with a fall of 0.5% in the FTSE All-Share Index and a fall of 1.4% in the FTSE Govt All Stocks Index (all figures total returns in sterling).

Our commentary this month is dominated by the impact of events in Ukraine. This war is first and foremost a human tragedy and our thoughts are with the people of Ukraine. The investment implications are secondary to the crisis, but we recognise our duty to provide investors with an update on the impact on their investments. The fund made gains earlier in the month and was broadly flat as the invasion unfolded. Geopolitical risk is unpredictable and we do not claim to position the fund in anticipation of specific events. Instead, we always hold protective assets which help us to weather market volatility in environments of heightened geopolitical risk.

The chief drivers of performance were derivative protection, gold and energy exposure. Derivative protection took two forms – interest rate protection and equity protection. We continued to use interest rate options to reduce duration risk in our inflation-linked bond holdings and this enabled us to benefit as bond yields rose for the first two weeks of the month. We took some profits in these options and the marginally higher duration since the invasion started has been helpful as bond yields have fallen. We will continue to be flexible in managing duration risk and believe that the path of rates will still be higher, but the speed of increase is now less certain. Towards the end of the month equity put options helped performance.

The fund has no direct exposure to Russia or Ukraine. We have a 1.8% position in BP, as part of our allocation to energy. BP is exiting its position in the Russian oil company Rosneft. It has underperformed its peers over the last fortnight due to this exposure, but the shares moved little on the announcement as an exit had already been priced in. Elsewhere, energy stocks have performed well for us. They have been a significant equity allocation since the beginning of the market recovery from the covid crisis. Our view that global demand would remain robust and supply would be constrained is playing out and we have been reducing exposure as part of an overall reduction in equity risk. We currently have 39% in equities, as well as protection in the shape of equity put options and exposure to credit default swaps.

We added to gold exposure in late 2021 moving from 6% to 8%. There was general investor disinterest in gold after a lacklustre 2021 and we also felt that emergent dollar weakness could see gold re-emerge as a safe haven. While we were wrong about dollar weakness, gold has undoubtedly benefitted from safe-haven demand.

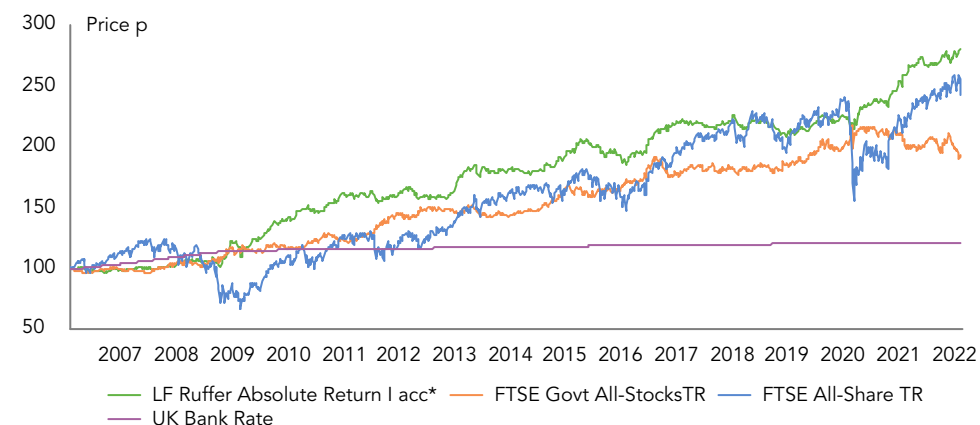
Looking further ahead, the US is unlikely to incur the serious energy price inflation we expect in Europe. This may see a return to US exceptionalism. This would put upward pressure on the dollar, which in turn sucks liquidity out of broader financial markets (as well as making the Fed's life more difficult). This is likely to increase stress in markets more generally, hence our desire not to be overextended in either direction.

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 28 February 2022	p
February 2022	2.9	I income	213.58
Year to date	3.4	I accumulation	281.83
1 year	8.9		
3 years	34.1		
5 years	28.2		
10 years	69.2		

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 28 Feb 2022

## Asset allocation



## Currency allocation



### Asset allocation %

Non-UK index-linked	13.9
Long-dated index-linked gilts	10.8
Index-linked gilts	10.6
Gold exposure and gold equities	8.8
Cash	8.8
Illiquid strategies and options	4.9
Short-dated bonds	3.0
UK equities	15.4
North America equities	8.5
Japan equities	7.3
Europe equities	6.7
Other equities	1.3

### Currency allocation %

Sterling	76.3
Yen	9.3
Euro	4.3
US dollar	2.7
Other	7.4

## 10 largest equity holdings\*

Stock	% of fund
Shell	2.2
NatWest Group	1.9
BP	1.8
Cigna	1.5
Lloyds Banking Group	1.1
Hertz	1.1
Mitsubishi UFJ Financial Group	1.1
Vodafone Group	1.1
Bristol-Myers Squibb	1.0
Ambev SA	1.0

## 5 largest bond holdings

Stock	% of fund
UK Treasury index-linked 2.5% 2024	7.0
UK Treasury index-linked 0.125% 2068	4.5
US Treasury 0.125% TIPS 2023	4.4
UK Treasury index-linked 0.125% 2065	3.5
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 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.

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 **£5,303.1m**

## Fund information

Ongoing Charges Figure	1.01
Annual management charge	1.00
Maximum initial charge	7.5
Yield	1.47
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
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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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Dealing line **0345 601 9610**

## 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.



## Ruffer LLP

Ruffer LLP manages investments on a discretionary basis for private clients, trusts, charities and pension funds. As at 31 January 2022, assets managed by the Ruffer Group exceeded £24.5bn.

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