LF Ruffer Absolute Return Fund

Positive absolute returns with low volatility

I class June 2022 **Issue 196**

During June, the fund price fell by 4.3%. This compared with a return on the UK Bank Rate of 0.1%.

June began calmly, as markets (like us) mooted the idea that the worst of the inflation and interest rate damage might be past. The CPI inflation release on June 10 put paid to any such thinking, catalysing a sharp selloff in both bond and equity markets as global central banks accelerated their interest rate hikes. On a global basis nothing escaped the selloff: no major asset class delivered a positive return in the month, with the exception of Chinese equities. The last time this happened was in March 2020 in the depths of the covid crisis.

June's inflation release closed the window for a potential equity market rally by shifting the moment of peak inflation later into the year. We have high conviction that the triple tightening being executed by the Federal Reserve is likely to prove exceptionally damaging to financial markets over the next few months, meaning there will not be time for the peak inflation thesis to prove itself before markets or the economy crack under the tightening pressure.

We reflect this with the lowest weight to equities (25%) for the Ruffer strategy since March 2003. This is accompanied by a full suite of derivative protections. There are times in the market cycle that just need to be got through and we have to accept some volatility in the returns. Our preoccupation remains in avoiding a permanent and significant loss of capital.

Looking at June in isolation this extreme defensiveness was not enough. The only large positive contribution (+1%) came from the credit protections (these express a bearish view on corporate bonds) and the protective options (these express a bearish view on equity markets and interest rates), showing once again the importance of unconventional assets. Equities detracted around 2.5% from performance, with the allocation to Alibaba the only bright spot. Gold exposure and inflation-linked bonds accounted for most of the remaining negative performance.

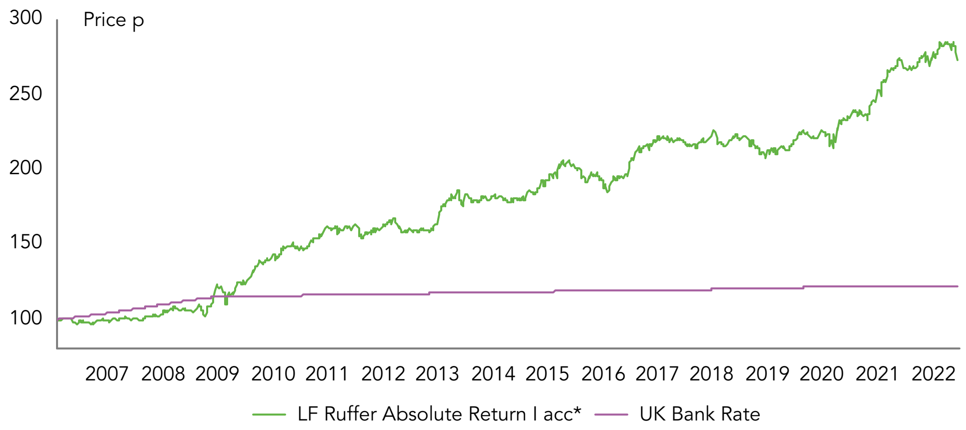
In an episode of surprising and persistently high inflation, no allocation to risk escapes repricing. This has become clear to public market investors this year and will become clear to private market investors when their asset managers deign to reprice their private assets accurately (our bet: 2025). An allocation to cash is an underrated decision in such an environment because it offers the certainty of a slow loss. We have talked previously about putting the portfolio into a 'crouched' position - we are now unequivocally flat on the ground as bullets whizz overhead.

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

To seek to achieve positive returns in all market conditions over any 12 month period, after all costs and charges have been taken. Underlying this objective is a fundamental philosophy of capital preservation. Capital invested is at risk and there is no guarantee that a positive return will be delivered over any twelve-month period.

Performance since fund launch on 31 January 2006



I accumulation shares	Performance %
June 2022	-4.3
Year to date	0.0
1 year	1.9
3 years	25.4
5 years	25.2
10 years	70.8

Share price as at 30 June 2022	p
I income	**204.57**
I accumulation	**272.48**

12 month performance to June %	2018	2019	2020	2021	2022
LF Ruffer Absolute Return I acc*	1.4	-1.4	7.9	14.0	1.9
UK Bank Rate	0.4	0.7	0.6	0.1	0.4

Source: Ruffer LLP * 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 30 Jun 2022

Fund size £4,822.2m

Asset allocation

Currency allocation

Asset allocation	%
Cash	14.9
Non-UK index-linked	12.6
Index-linked gilts	11.6
Short-dated bonds	10.7
Gold exposure and gold equities	10.5
Long-dated index-linked gilts	8.0
Protection strategies and options	3.2
UK equities	11.1
North America equities	6.4
Japan equities	5.0
Europe equities	4.7
Other equities	1.2

Currency allocation	%
Sterling	63.6
Yen	11.1
US dollar	6.1
Australian dollar	6.0
Euro	4.6
Other	8.6

10 largest equity holdings*

Stock	% of fund
BP	2.3
Cigna	1.2
Hertz	1.1
Vodafone Group	1.0
Ambev SA	0.9
BAE Systems	0.8
Aena SME SA	0.8
KPN	0.7
NatWest Group	0.6
Mitsubishi UFJ Financial Group	0.5

5 largest bond holdings

Stock	% of fund
UK Treasury index-linked 2.5% 2024	7.7
US Treasury 0.125% TIPS 2023	5.4
US Treasury 0.625% TIPS 2023	4.1
US Treasury FRN 2024	4.0
UK Treasury index-linked 0.125% 2068	3.1

*Excludes holdings in pooled funds

Source: Ruffer LLP.
Pie chart totals may not equal 100 due to rounding.

Fund information

		%
Ongoing Charges Figure		1.03
Annual management charge		1.00
Maximum initial charge		7.5
Yield		1.92
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
Depositary		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

Enquiries

Ruffer LLP
80 Victoria Street
London
SW1E 5JL

+44 (0)20 7963 8254
rif@ruffer.co.uk

www.ruffer.co.uk

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.

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 May 2022, assets managed by the Ruffer Group exceeded £26.6bn.