

LF Ruffer Absolute Return Fund

Positive absolute returns with low volatility

The Federal Reserve, the IMF, the Bank of England and Goldman Sachs amongst others have moved their forecasts to suggest a soft landing, or no landing, is the most likely outcome for the global economy. A new, rosier narrative has emerged: that a recession will be avoided, and immaculate disinflation has been achieved vindicating market bulls and central bankers alike. The Nasdaq is up 37% year to date, performance to rival the dot.com boom.

This looks to us like a prime example of price action driving the narrative. Markets think a recession can be avoided because markets are going up. However, economic fundamentals continue to weaken with a reduced availability of credit, visible cracks in a previously strong labour market, and other key leading indicators such as manufacturing survey data are now in recessionary territory. Meanwhile, monetary conditions continue to tighten as global central banks raise rates and quantitative tightening (QT) continues apace. We believe that both the economy and financial ecosystem are conditioned to low interest rates and are incapable of enduring interest rates in excess of 5%.

At the same time, real yields are dramatically increasing – now as high as 3% on two year US inflation protected bonds. We have previously focused on the speed at which real yields have risen, as a guide to market fragility. This year real yields have risen slowly, but inexorably, and we think the second half of 2023 will be about discovering where the biting point is. If history is our guide, it is close.

In July, the rise in global real yields hurt inflation linked bonds. The mix of derivative protections were also a small drag. These were more than offset by our oil exposure, the biggest risk-on asset in the portfolio, which rose 14% in the month in response to further OPEC supply cuts.

On the penultimate day of the month the Bank of Japan ended their yield curve control policy. The news was met with a pop rather than a bang – the yen didn't move much. However, that pop was the starting pistol for something bigger. We have considerable exposure to the yen, directly and via derivatives, and believe these positions have a long way to run. The end of extreme monetary policy divergence, forcing all weakness through the currency, should see a material strengthening in the yen. Japanese government bond yields floating higher may be the final anchor to slip loose on global duration, which will have ripples across other capital markets.

The surge in risk appetite from the presumed economic 'all clear' has allowed credit spreads to tighten, equity market puts have become cheaper still, and equity volatility (measured by the VIX) has now fallen back to pre-covid levels. Having cost the portfolio year to date, these protections are now highly attractive and, usually, tend to be most advantageous when nobody wants them.

The overarching message to our investors is that we have been here before, and that feeling uncomfortable is sometimes necessary for differentiated results. We retain a high level of conviction that the portfolio is correctly positioned given the environment we see and hope to deliver on the patience and faith shown in us by our investors this year.

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.

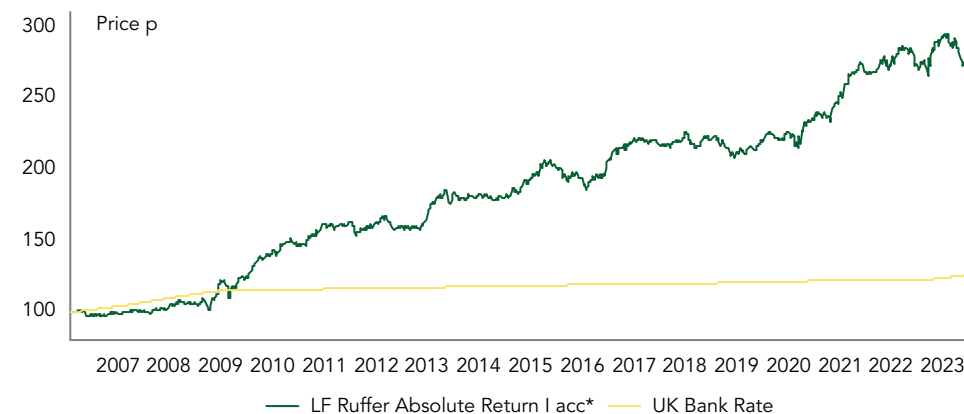


I class July 2023 Issue 209

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 %	Share price as at 31 July 2023	p
July 2023	0.5	I income	196.45
Year to date	-7.2	I accumulation	270.17
1 year	-0.7		
3 years	13.7		
5 years	21.9		
10 years	49.3		

12 month performance to June %	2019	2020	2021	2022	2023
LF Ruffer Absolute Return I acc*	-1.4	7.9	14.0	1.9	-1.3
UK Bank Rate	0.7	0.6	0.1	0.4	3.2

Source: Ruffer LLP, Bloomberg. The comparator benchmark shown in this document is as stated in the fund's prospectus. * 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 Jul 2023

Asset allocation



Asset allocation	%
Short-dated bonds	35.0
Cash	14.1
Index-linked gilts	8.8
Long-dated index-linked gilts	8.3
Non-UK index-linked	7.5
Gold exposure and gold equities	6.0
Protection strategies and options	-0.9
Commodity exposure	8.6
UK equities	5.2
North America equities	2.7
Asia ex-Japan equities	2.5
Europe equities	2.0
Other equities	0.3

Currency allocation	%
Sterling	63.2
Yen	17.6
Australian dollar	8.6
US dollar	6.7
Euro	0.2
Other	3.7

Currency allocation



10 largest equity holdings*

Stock	% of fund
iShares MSCI China A UCITS ETF	0.9
Taiwan Semiconductor Manufacturing Co	0.6
BP	0.5
Alibaba Group Holding	0.4
Cigna	0.3
Amazon	0.3
Swire Pacific	0.3
Ambev SA	0.3
Alibaba Group ADR	0.3
Bank of Ireland	0.3

5 largest bond holdings

Stock	% of fund
US Treasury FRN 31 Jan 2025	6.7
UK Treasury index-linked 0.125% 2026	5.2
Japanese govt bonds 0.005% 1 Jun 2024	4.7
Japanese govt bonds 0.005% 1 Apr 2024	4.7
Japanese govt bonds 0.005% 1 May 2024	4.7

*Excludes holdings in Ruffer funds
Source: Ruffer LLP.
Pie chart totals may not equal 100 due to rounding.

Fund size **£4,073.9m**

Fund information

Ongoing Charges Figure	1.01
Annual management charge	1.00
Maximum initial charge	7.5
Yield	3.3
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
ISIN	Accumulation GB00B81SXL02 Income 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

Fund Managers

Steve Russell

INVESTMENT DIRECTOR

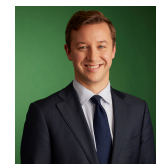
Graduated from the University of Oxford in PPE and started work as an equity analyst at Confederation Life in 1987, progressing to Head of Equities. In 1999 he moved to HSBC Investment Bank as Head of UK and European Equity Strategy, before joining Ruffer in 2003. He is co-manager of two of Ruffer's flagship funds.



Jos North

INVESTMENT DIRECTOR

Joined Ruffer in 2012 and now leads Ruffer's UK institutional business, including UK defined benefit, defined contribution and local government pension schemes, and UK charities. He is a member of the CISI, following completion of the CISI diploma and co-manages two of Ruffer's flagship funds.



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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.

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Ruffer LLP

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