LF Ruffer Absolute Return Fund

Positive absolute returns with low volatility

Higher global yields and fears about slowing economic growth in Europe and China saw the major bond and equity markets decline in August. The fund retreated, too, as market declines were not sharp or deep enough to trigger our potent derivative protections.

No single factor drove global yields higher. Instead, a smorgasbord of drivers included: 'higher for longer' interest rate policies amidst persistent inflation; heavy planned US Treasury issuance; robust US economic data; and Fitch's US government credit rating downgrade, which highlighted the scale of the Federal deficit – already a whopping 6.5%, with full employment! The fund's long-dated UK and US inflation-protected bonds suffered from the rise in yields. These should rally in the event of recession.

In Europe, flash PMIs (economic outlook indicators) pointed to a sharp contraction. Meanwhile, China's re-opening is spluttering. Its c $60tn property market is reeling after years of regulatory pressure, deteriorating demography, shaken household confidence and a broken Ponzi-esque funding model. Piecemeal stimulus measures from Beijing have so far failed to reassure investors, but there's little in the price for good news. We believe fatter market tail risks from China's economy – and politics – will remain with us for years to come. Expect surprises.

China stocks aside, equity markets' August retreat was relatively orderly. An uneventful earnings season plus a lack of policy or inflation shocks has kept volatility ('vol') in markets low. That has kept the vol-targeting machine-led investment strategies – so powerful in today's markets – invested. The fund's small equity allocation retreated with indices but, given the steady nature of the market decline, our derivatives have yet to kick in, so were a small performance drag. The same goes for our c 16% position in the yen, which declined modestly despite the Bank of Japan's relaxation of yield curve control in July. Just like the derivatives, a significant market shock could see dramatic yen appreciation. Our c 8% oil position was the primary positive contributor, helped by continued OPEC supply-side discipline.

Markets still believe in a 'soft landing' – inflation dissipates without a recession. Yet we stick to our increasingly unfashionable belief that record monetary tightening's full impact has yet to be felt. Locked-in low rates and faster nominal GDP growth have likely deferred – but not de-fanged – the biting point. Even America's remarkably robust economy is displaying cracks. Covid-era excess savings have been spent; consumer confidence is slowing; Q2 GDP growth and recent payrolls were revised lower; US department stores are reporting rising credit card delinquencies.

Central banks could soon find themselves in a much trickier situation as inflation 'base effects' and (now rising) energy prices switch from being disinflationary tailwinds to inflationary ones. If economies continue to slow, this could raise recession risk by forcing central banks to stay inappropriately tight. But if economies reaccelerate – especially in the US – it raises the spectre of a second inflationary wave, with further rate hikes. From our derivatives to dollars, yen to bonds, the fund remains well-positioned for the reassertion of gravity in financial markets, and the opportunities that will lie beyond.

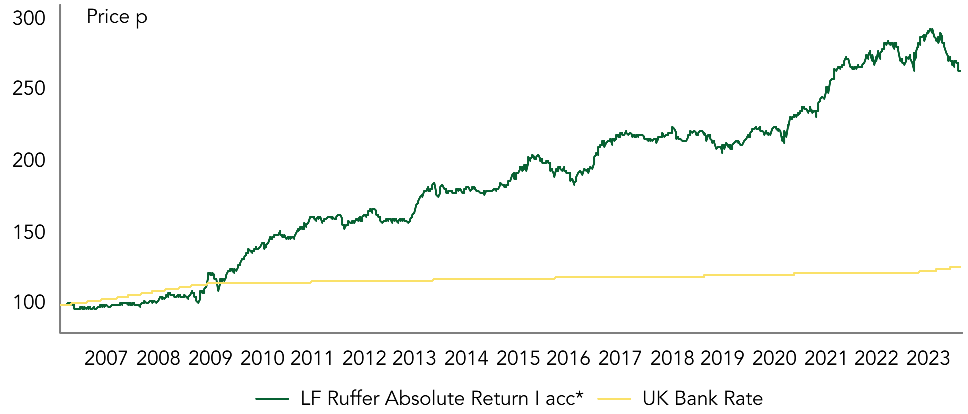
Ruffer performance is shown after deduction of all fees and management charges, and on the basis of income being reinvested. Past performance is not a guide to future performance. The value of the shares and the income from them can go down as well as up and you may not get back the full amount originally invested. The value of overseas investments will be influenced by the rate of exchange.

I class August 2023 **Issue 210**

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 %
August 2023	-1.2
Year to date	-8.3
1 year	-3.2
3 years	13.1
5 years	21.5
10 years	48.3

Share price as at 31 August 2023	p
I income	**194.14**
I accumulation	**266.99**

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 Aug 2023

Fund size £3,969.3m

Asset allocation

Currency allocation

Asset allocation	%
Short-dated bonds	45.6
Long-dated index-linked gilts	8.6
Cash	7.6
Non-UK index-linked	6.3
Gold exposure and gold equities	6.1
Index-linked gilts	5.3
Protection strategies and options	-0.9
Commodity exposure	8.9
UK equities	4.7
North America equities	3.1
Asia ex-Japan equities	2.4
Europe equities	1.9
Other equities	0.3

Currency allocation	%
Sterling	49.9
Yen	18.3
US dollar	17.8
Australian dollar	8.8
Euro	1.4
Other	3.8

10 largest equity holdings*

Stock	% of fund
iShares MSCI China A UCITS ETF	0.9
Taiwan Semiconductor Manufacturing Co	0.6
Alibaba Group Holding	0.4
Cigna	0.3
Amazon	0.3
Swire Pacific	0.3
BP	0.3
Jackson Financial	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	9.9
UK Treasury index-linked 0.125% 2026	5.3
Japanese govt bonds 0.005% 1 Jun 2024	4.8
Japanese govt bonds 0.005% 1 May 2024	4.8
Japanese govt bonds 0.005% 1 Apr 2024	4.8

*Excludes holdings in Ruffer funds

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

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

	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 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.

Ruffer LLP

Ruffer LLP manages investments on a discretionary basis for private clients, trusts, charities and pension funds. As at 31 July 2023, assets managed by the Ruffer Group exceeded £24.7bn.