

LF Ruffer Diversified 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.

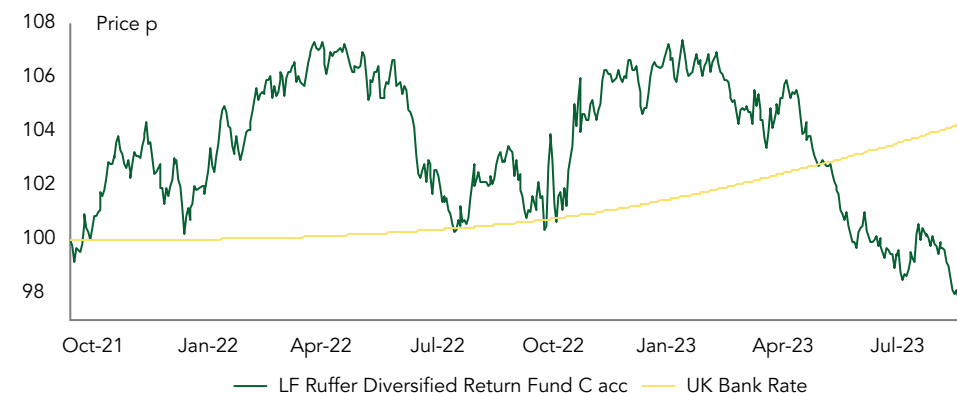


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Investment objective

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 one or a number of 12 month periods.

Performance since fund launch on 15 September 2021



C accumulation shares	Performance %	Share price as at 31 August 2023	p
August 2023	-0.9	C accumulation	98.89
Year to date	-7.4	C income	97.09
1 year	-4.3		

12 month performance to June %	2023
LF Ruffer Diversified Return Fund C acc	-2.7
UK Bank Rate	3.2

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

LF Ruffer Diversified Return Fund as at 31 Aug 2023

Asset allocation



Asset allocation	%
Short-dated bonds	41.9
Cash	14.7
Long-dated index-linked gilts	7.5
Non-UK index-linked	7.1
Index-linked gilts	4.8
Gold exposure and gold equities	4.2
Protection strategies and options	-0.9
Commodity exposure	7.1
North America equities	5.8
UK equities	3.0
Europe equities	2.4
Asia ex-Japan equities	1.9
Other equities	0.5
Currency allocation	%
Sterling	64.1
Yen	16.6
US dollar	12.1
Australian dollar	3.9
Euro	0.7
Other	2.6

Currency allocation



10 largest equity holdings

Stock	% of fund
Alibaba Group ADR	0.8
Cigna	0.7
Agnico Eagle Mines	0.6
Bayer AG	0.6
Amazon	0.5
BP	0.5
Taiwan Semiconductor Manufacturing Co	0.5
iShares MSCI EM Asia UCITS ETF	0.5
Ambev SA	0.5
Unilever	0.4

5 largest bond holdings

Stock	% of fund
US Treasury FRN 31 Oct 2024	7.3
US Treasury FRN 31 Jan 2024	6.6
US Treasury FRN 31 Jul 2024	3.8
Japanese govt bonds 0.005% 1 Jun 2024	3.5
Japanese govt bonds 0.005% 1 Apr 2024	3.5

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

Fund size **£2,023.1m**

Fund information

Ongoing Charges Figure (capped)	1.12	%
Annual management charge	1.1	
Yield (historic)	1.9	
Minimum investment	£1,000	
Ex dividend dates	15 Mar, 15 Sep	
Pay dates	15 May, 15 Nov	
Dealing frequency	Daily	
Valuation point	12:00	
ISIN	Accumulation GB00BMWLQT53	Income GB00BMWLQS47
SEDOL	BMWLQT5	BMWLQS4
Investment manager	Ruffer LLP	
Auditors	Ernst & Young LLP	
Authorised Corporate Director	Link Fund Solutions	
Depository	The Bank of New York Mellon (International) Limited	
Structure	Sub-fund of LF Ruffer Managed Funds (OEIC) UK domiciled UCITS Eligible for ISAs	

Dealing line **0345 601 9610**

Enquiries

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Fund Managers

Duncan MacInnes

INVESTMENT DIRECTOR

Joined Ruffer in 2012. He graduated from the University of Glasgow School of Law in 2007 and spent four years working at Barclays in Glasgow, London and Singapore. He is a CFA charterholder and co-manager of two of Ruffer's flagship funds.



Ian Rees

INVESTMENT DIRECTOR

Joined Ruffer in 2012, after graduating from the University of Bath with an honours degree in economics. He spent 2017 in Ruffer's Hong Kong office working as an equity analyst covering emerging markets, and is a CFA charterholder.



Fund Specialist

Jasmine Yeo

INVESTMENT MANAGER

Joined Ruffer in 2017, having graduated with a degree from Warwick Business School. She is a member of the CISI, following completion of the CISI Masters in Wealth Management. She has managed private client portfolios and now works with wealth managers and advisors as part of Ruffer's UK wholesale team. She is co-manager of one 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.

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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 Managed Funds is a UK UCITS. The LF Ruffer Diversified Return Fund 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 Diversified 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.