

LF Ruffer Total Return Fund

Positive absolute returns with low volatility



C class September 2018 Issue 188

During September, the fund price was broadly flat. This compares with a rise of 0.7% in the FTSE All-Share Index and a fall of 1.5% in the FTSE Govt All Stocks index (all figures total returns in sterling).

It is striking how little change there has been to the narrative of financial markets in the last two years. As global growth continues to recover and unemployment falls, there are two key questions for investors: a) Is the global economy strong enough to tolerate higher interest rates? b) What will be the impact on financial markets as liquidity conditions tighten? This dilemma continues to play out against a backdrop of rising political tensions: chief amongst these are Brexit, Italian budgets and trade wars. The same questions were asked as Donald Trump came to power in 2016 and despite having seen eight interest rate hikes from the Federal Reserve in this cycle, it is still no clearer at what point this tightening starts to bite and has a material negative impact on asset prices.

For much of September, the strength of the global economy dominated sentiment. The prospect of higher rates and steeper yield curves saw bonds fall and equity markets rotate towards more economically sensitive areas: oil majors, commodities and financials provided market leadership. Japanese equities benefited and stresses in emerging markets, which haunted markets for much of the summer, temporarily receded. This came to an abrupt end on the penultimate day of the month with the announcement of the Italian budget. As had been feared, the populist coalition announced plans for a budget deficit three times that previously forecast, threatening to break eurozone budget rules. Risk assets turned abruptly, with bond yields and European equities falling sharply. The Italian government pointed to the additional growth this fiscal splurge would generate – strikingly similar to the narrative of the Trump administration two years earlier. This time around, markets were less forgiving principally because of the likelihood of overshooting the new deficit target, but also because of the fragilities of the single currency. This reaction further highlights the risk in markets: the global economy is fine, but as global policy tightens, the weakest links are being punished in a way they weren't in recent years.

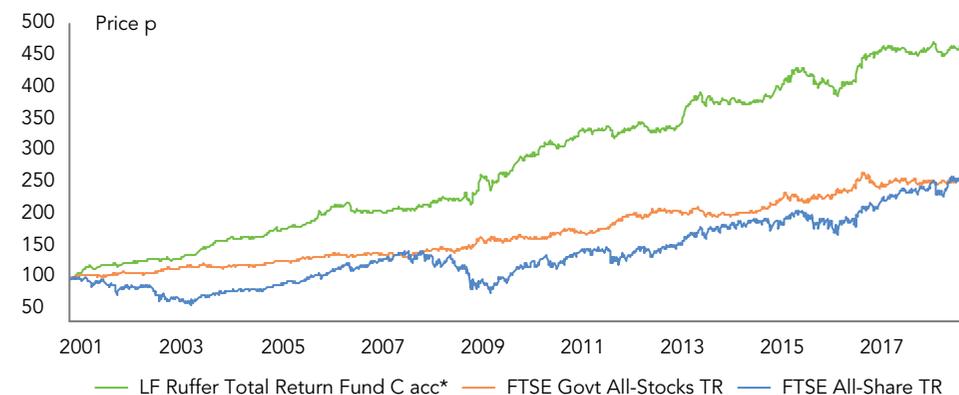
Despite remaining cautious of markets, and steadfast in the need for protection, we continue to be of the view that the global economy remains robust, hence our preference for cyclical equities. The risk is that this economic strength may sow the seeds of the next crisis: we saw how this logic could unfold in February. According to Jerome Powell, stable inflation expectations are key to preventing a revenge of the Phillips curve; the danger being that as the recovery continues the Fed may have to move more aggressively than its governors or the market currently think necessary.

The fund's prospectus and key investor information documents are provided in English and available on request or from www.ruffer.co.uk. Please note that LF Ruffer Investment Funds is a UK UCITS. The LF Ruffer Total 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 Total 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.

Investment objective

The fund aims to achieve low volatility, positive returns from an actively managed portfolio of different asset classes, including equities, 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, other transferable securities and derivatives and forward transactions. Pervading this objective is a fundamental philosophy of capital preservation.

Performance since fund launch on 29 September 2000



Performance %	September 2018	Year to date	1 year	3 years	5 years	10 years
C accumulation shares	0.0	-0.9	1.6	15.4	22.3	106.1

Percentage growth (C acc)	%	Share price as at 28 September 2018	p
30 Sep 2017 – 30 Sep 2018	1.6	C income	293.66
30 Sep 2016 – 30 Sep 2017	0.3	C accumulation	442.55
30 Sep 2015 – 30 Sep 2016	13.2		
30 Sep 2014 – 30 Sep 2015	2.8		
30 Sep 2013 – 30 Sep 2014	3.1		

Source: Ruffer LLP, FTSE International (FTSE)†. * This share class has performance data calculated prior to the inception date, 12 Sept 2012. This is based upon a simulated/extended track record, using the track record of LF Ruffer Total Return Fund O acc.

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.

LF Ruffer Total Return Fund as at 28 Sep 2018

Asset allocation



Asset allocation %

● Non-UK index-linked	18.7
● Long-dated index-linked gilts	13.9
● Gold and gold equities	6.2
● Index-linked gilts	5.9
● Cash	5.2
● Illiquid strategies and options	4.7
● Short-dated bonds	3.0
● Japan equities	15.8
● UK equities	12.0
● North America equities	8.4
● Europe equities	3.5
● Asia ex-Japan equities	2.6

Currency allocation %

● Sterling	68.9
● US dollar	12.8
● Yen	8.0
● Gold	6.4
● Euro	0.7
● Other	3.2

Currency allocation



10 largest of 60 equity holdings*

Stock	% of fund
Mitsubishi UFJ Financial	2.2
Sumitomo Mitsui Financial	2.1
Tesco	2.0
Sony	2.0
Dai-ichi Life Insurance	1.8
Walt Disney	1.8
ExxonMobil	1.5
T&D	1.5
Japan Post	1.5
Lloyds Banking Group	1.5

5 largest of 18 bond holdings

Stock	% of fund
US Treasury 0.125% TIPS 2022	4.1
UK Treasury index-linked 1.875% 2022	4.0
UK Treasury index-linked 1.25% 2055	3.7
UK Treasury index-linked 0.375% 2062	3.6
US TIPS 1.25% 2020	3.3

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

Fund size £3,171.5m

Fund information

	%
Ongoing Charges Figure*	1.25
Annual management charge	1.20
Maximum initial charge	5.0
Yield	1.45
Minimum investment	£1,000
Ex dividend dates	15 Mar, 15 Sep
Pay dates	15 May, 15 Nov
Dealing	Weekly forward to 10am Wednesday, based on NAV Plus forward from 10am on last Wednesday of the month to last business day of the month

	Accumulation	Income
ISIN	GB00B80L7V87	GB00B58BQH88
SEDOL	B80L7V8	B58BQH8

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 LF Ruffer Investment Funds (OEIC) UK domiciled UCITS Eligible for ISAs

Dealing line

0345 601 9610

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. He is also co-manager of the Ruffer Investment Company.



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.



Ruffer LLP

Ruffer LLP manages investments on a discretionary basis for private clients, trusts, charities and pension funds. As at 31 August 2018, assets managed by the Ruffer Group exceeded £22.1bn.

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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.

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