

LF Ruffer Total Return Fund

Positive absolute returns with low volatility



C class July 2019 Issue 199

During July, the fund price rose by 2.1%. This compared with a rise of 2.0% in the FTSE All-Share Index and an increase of 2.1% in the FTSE Govt All Stocks Index (all figures total returns in sterling).

For the last two months, we have witnessed a rising tide that has floated (almost) all boats. Index-linked bonds, equities and gold all rose in value. Credit protection and options acted as a small drag on returns reassuring us that this part of the portfolio will perform (as it did at moments in 2018) if the tide turns.

In this topsy-turvy world, it was deteriorating news on the economy that resulted in the latest leg-up in asset prices. If that sounds perverse, then that is because it is perverse. Recession fears have put pressure on the US Federal Reserve and the European Central Bank to cut interest rates and restart stimulus programs. As well as pushing up most asset prices this has also resulted in a record number of bonds trading at negative yields (\$14tn and counting). Investors and savers now have to pay the borrower for the privilege of lending money. Welcome to the world of NIRP (negative interest rate policy).

How do we rationalise this? The fear that stalks central banks is low and persistent deflation – when interest rates reach the zero bound it becomes harder for central banks to stimulate the economy because their main tool (control of nominal interest rates) loses its potency. Their options are either to push harder on the accelerator of what were once considered unconventional measures (think quantitative easing et al) in order to push down real interest rates or turn to politicians for some form of fiscal stimulus. We are currently seeing the former in action.

So how do we guide our shareholders through this upside-down world? Firstly we must keep our eyes firmly on the horizon. The most dangerous words in the investment world are ‘this time it’s different’ – it rarely is, but of course it can be until it isn’t! These things can go on longer than seems logical, but can also unwind quickly and the herding in markets at present makes this highly likely. How could this unravel? Central banks may overshoot and be forced to tighten as inflationary pressures pick up (much like late 2017 and early 2018). Alternatively there could be an exogenous shock to markets (no shortage of candidates there – trade, Middle East tensions, Brexit) while fundamentals remain weak. The latter is the more proximate risk because markets may jump to the conclusion that while central banks can pump up asset prices in the short term they are impotent when it comes to reviving the economy. What instruments do you want to hold for this sea change? Credit protection (held through credit default swaps for us) have a role to play, as do the real assets of index-linked bonds and gold in case central banks overshoot. If the party continues then equities will drive our returns. This formula has worked reasonably well this year as we have made a mid-single digit positive return so far with plenty of protection in place, but there will be tougher times ahead.

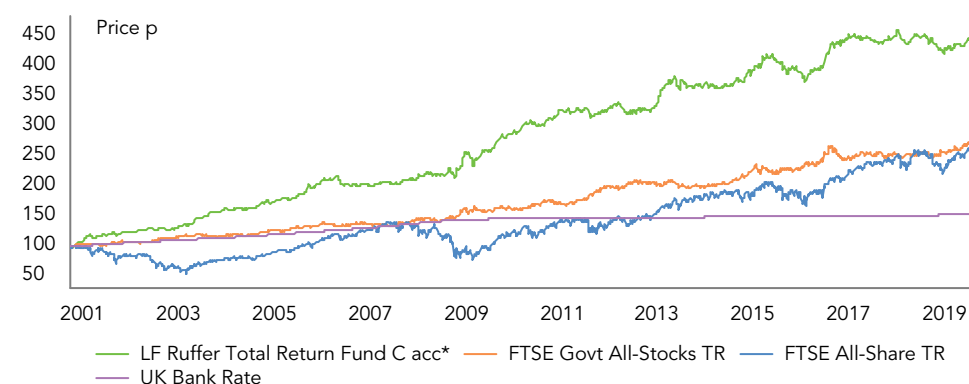
Please contact investorday@ruffer.co.uk if you would like to attend our event on 11 September.

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 %	July 2019	Year to date	1 year	3 years	5 years	10 years
C accumulation shares	2.1	7.0	0.1	6.6	21.4	69.9
Percentage growth (C acc)	%		Share price as at 31 July 2019			
30 Jun 2018 – 30 Jun 2019	-1.5		C income			
30 Jun 2017 – 30 Jun 2018	1.1		C accumulation			
30 Jun 2016 – 30 Jun 2017	8.6					
30 Jun 2015 – 30 Jun 2016	-0.3					
30 Jun 2014 – 30 Jun 2015	11.2					

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 31 Jul 2019

Asset allocation



Asset allocation	%
Long-dated index-linked gilts	15.5
Non-UK index-linked	14.8
Gold and gold equities	8.8
Short-dated bonds	7.0
Illiquid strategies and options	6.8
Cash	2.8
Index-linked gilts	2.1

Currency allocation



Currency allocation	%
Sterling	73.7
Gold	8.1
Yen	7.8
Euro	3.5
US dollar	2.7
Other	4.2

10 largest of 62 equity holdings*

Stock	% of fund
Walt Disney Company	3.2
Tesco	1.9
Vivendi	1.8
Sony	1.7
Sumitomo Mitsui Financial Group	1.4
ExxonMobil	1.3
Mitsubishi Electric	1.3
Mitsubishi UFJ Financial Group	1.3
Barrick Gold	1.2
Wheaton Precious Metals	1.1

5 largest of 15 bond holdings

Stock	% of fund
UK Treasury index-linked 0.125% 2068	4.9
US Treasury TIPS 1.25% 2020	4.6
UK Treasury index-linked 1.25% 2055	4.3
US Treasury 1.75% TIPS 2019	3.6
US Treasury 2.0% TIPS 2020	3.4

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

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The information contained in this document does not constitute investment advice and should not be used as the basis of any investment decision. References to specific securities are included for the purposes of illustration only and should not be construed as a recommendation to buy or sell these securities. Ruffer LLP has not considered the suitability of this fund against any specific investor's needs and/or risk tolerance. If you are in any doubt, please speak to your financial adviser.

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.

Fund size £3,254.3m

Fund information

	%
Ongoing Charges Figure	1.22
Annual management charge	1.20
Maximum initial charge	5.0
Yield	1.39
Minimum investment	£1,000
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 GB00B80L7V87 Income 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

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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.



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 30 June 2019, assets managed by the Ruffer Group exceeded £20.7bn.

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