

# LF Ruffer Total Return Fund

Positive absolute returns with low volatility



I class December 2018 Issue 191

During December, the fund price fell 1.4%. This compared with a decline of 3.8% in the FTSE All-Share Index and an increase of 2.5% in the FTSE Govt All Stocks Index (all figures total returns in sterling). In a turbulent month our protective assets started to come into play. If we were to factor in the positive performance of the protective credit and volatility strategies, which did not price until after the month end, then the NAV would have fallen less than 1%. From where we stand a further market fall should see the fund perform well. That being said, we have failed in the last 12 months to deliver on Ruffer's *raison d'être*: namely to protect capital and deliver positive returns regardless of the direction of markets. That is disappointing and frustrating to us; more importantly it has been costly to our investors. The most striking factor about 2018 was the all-encompassing nature of the decline. Recent market volatility has not been an economic event (yet) but a financial market one: the global economy has been growing robustly with the US at the forefront. Yet a Deutsche Bank study demonstrated that more than 90% of asset classes posted losses in dollar terms for the year, a record since 1908. In December, not a single company managed to borrow money in the \$1.2 trillion high yield market and it will go down as the worst December ever for US stocks. Oil plunged 42% from peak to trough with no clear catalyst and President Trump scared the horses by engaging in trade wars and musing about firing the chairman of the Federal Reserve. For the first time in several years, Federal Reserve and Treasury communication policy hurt, rather than helped, the market.

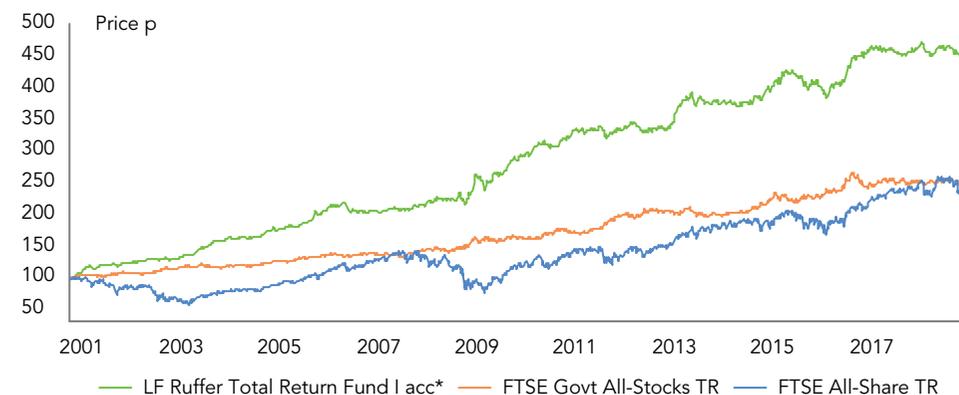
We have our lowest allocation to equities since 2008, at 34%. Yet we have still sustained damage here. Our exposure was focused on cyclical businesses trading on low valuations, which we thought would best capture the benefits of economic growth. Low valuations did not soften the blow as these stocks fell in line with equity markets, but we remain confident that these investments will be well placed to capture any bounce. We have deliberately chosen to protect the portfolio from material declines, rather than buying expensive protection against bumps in the road. As such, the protective investments have only just begun to kick in, the exception being our investments against distress in credit markets – these performed well (up around 30% over the quarter) and we expect them to continue to deliver strong positive returns should the stresses we observe begin to manifest themselves more seriously. Looking into 2019, credit markets are likely to be the epicentre of the next crisis, but the effects will be felt more widely. The combination of option and credit market protection is a powerful one and should more than offset any losses in our relatively trim equity exposure. When combined with gold starting to show signs of life and index-linked bonds likely to contribute positively, this should allow us to be greedy when others are fearful. Lastly, if you are a European investor who has concerns about the uncertainty generated by Brexit on the structure of this fund, please contact Alexander Bruce (abruce@ruffer.co.uk).

The fund's prospectus and key investor information documents are provided in English and available on request or from [www.ruffer.co.uk](http://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 %	December 2018	Year to date	1 year	3 years	5 years	10 years
I accumulation shares	-1.4	-6.3	-6.3	8.3	14.9	65.4

Percentage growth (I acc)	%	Share price as at 31 December 2018	p
31 Dec 2017 – 31 Dec 2018	-6.3	I accumulation	440.30
31 Dec 2016 – 31 Dec 2017	1.1	I income	291.98
31 Dec 2015 – 31 Dec 2016	14.3		
31 Dec 2014 – 31 Dec 2015	0.0		
31 Dec 2013 – 31 Dec 2014	6.0		

Source: Ruffer LLP, FTSE International (FTSE)†. \* This share class has performance data calculated prior to the inception date, 3 Nov 2004. 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 Dec 2018

## Asset allocation



## Currency allocation



### Asset allocation %

● Non-UK index-linked	27.9
● Long-dated index-linked gilts	14.1
● Gold and gold equities	8.5
● Cash	7.8
● Illiquid strategies and options	5.2
● Index-linked gilts	2.0
● UK equities	10.4
● Japan equities	8.9
● North America equities	8.0
● Europe equities	3.9
● Asia ex-Japan equities	2.8
● Other	0.4

### Currency allocation %

● Sterling	69.5
● Gold	9.0
● Yen	8.8
● US dollar	8.7
● Euro	0.5
● Other	3.5

## 10 largest of 57 equity holdings\*

Stock	% of fund
Walt Disney Company	2.0
Tesco	1.8
Lloyds Banking Group	1.8
BP	1.4
Vivendi	1.4
Sumitomo Mitsui Financial Group	1.3
Mitsubishi UFJ Financial	1.2
DowDuPont	1.2
ExxonMobil	1.1
Cigna Corporation	1.1

## 5 largest of 21 bond holdings

Stock	% of fund
US Treasury index-linked 0.125% TIPS 2022	4.2
UK Treasury index-linked 1.25% 2055	3.8
UK Treasury index-linked 0.375% 2062	3.7
US Treasury 0.375% TIPS 2023	3.3
US Treasury 0.125% TIPS 2022	2.8

\*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 **£3,160.2m**

## Fund information

Ongoing Charges Figure*	1.05
Annual management charge	1.00
Maximum initial charge	5.0
Yield	1.46
Minimum investment	£30m
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 GB00B03JB001 Income GB00B03J9Y05
SEDOL	B03JB00 B03J9Y0
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 30 November 2018, assets managed by the Ruffer Group exceeded £21.1bn.

## Enquiries

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