

# LF Ruffer Total Return Fund

Positive absolute returns with low volatility



During February, the fund price fell by 1.9%. This compares with a fall of 3.3% for the FTSE All-Share Total Return Index and a rise of 0.2% for the FTSE Government All-Stocks Index (all figures total returns in sterling).

Last month we commented on the inherent instability observable in financial markets, noting that volatility seemed likely to be at the heart of any market setback, and so, somewhat faster than expected, it turned out. On the back of seemingly 'good' news from the US, in the form of better jobs and wages data, bond yields rose, equity prices fell and volatility spiked up to what would normally be viewed as 'crisis' levels. The proximate reasons for this spike in volatility: the demise of exchange-traded funds (ETFs) explicitly shorting the VIX index and widespread use of implicit 'short volatility' strategies, have all been well documented. Although stock markets recovered some poise by the end of the month, we believe that the outsized move in volatility has laid bare an underlying fragility in equity markets. Investors' portfolios are probably more risky than they believe and low volatility has been a key element of this. During the month we took some profits in our volatility options, but consistent with holding this as crisis protection, were unwilling to cash in all our initial gains on what remained just a market correction. These gains offset some losses in our equity holdings, but were insufficient to keep the performance in positive territory for the month overall.

Whilst February's 'vol shock' may turn out to have been no more than a temporary tremor in financial markets, it underlines the difficulties in protecting portfolios in a period when equity market declines are unlikely to be offset by rising bond prices. Indeed, in contrast to all the previous episodes this century when volatility has spiked higher, this market 'tremor' saw supposedly safe haven assets, such as US government bonds and gold, post losses alongside stock markets.

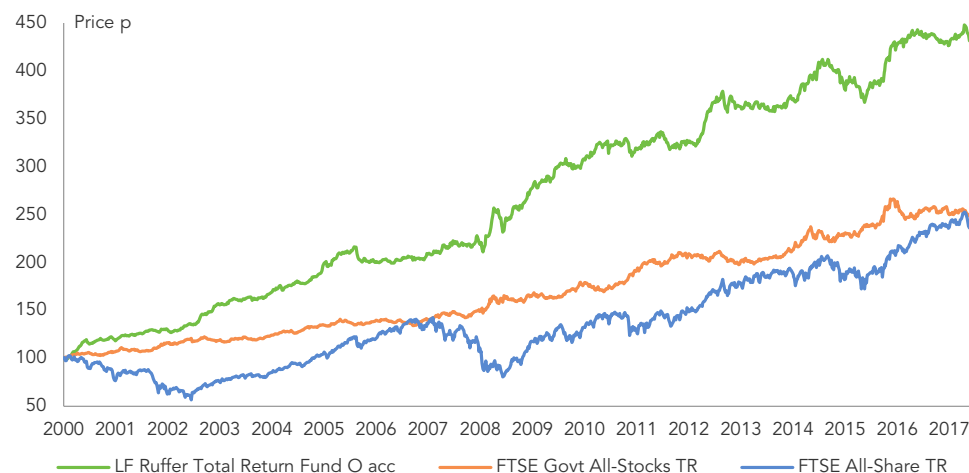
All this meant that Jay Powell, the new Chairman of the Federal Reserve, had a rather uncomfortable first day in office, coinciding as it did with the volatility spike and a sharp drop in stock markets. Any sense of relief on passing a difficult initiation is likely to be short-lived however and we believe that the new chairman finds himself in the difficult position of being 'damned if he does and damned if he doesn't'. If the US Federal Reserve raises interest rates faster or further than the market currently expects, then there is a real danger that this is more than an indebted global economy can tolerate, and certainly more than fragile financial markets can bear. If the Fed, fearful of the impact on both the financial and real economy, shies away from tightening financial conditions sufficiently, then inflation pressures are likely to mount and both equity and bond markets could sell-off regardless. Our index-linked bonds stand guard against higher inflation, but protecting against the potholes in the journey to inflation could be problematic. Accordingly, we have trimmed back equity holdings to below 40% and added to our dollar exposure. We fear markets may get more, rather than less, dangerous as the year progresses.

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 launch on 29 September 2000



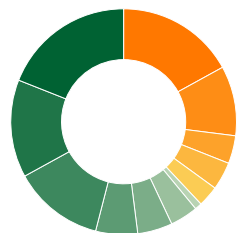
Performance %	February 2018	Year to date	1 year	3 years	5 years	10 years	
O accumulation shares	-1.9	-1.7	-1.4	8.3	19.9	96.7	
Percentage growth (O acc)	%		Share price as at 28 February 2018				
31 Dec 2016 – 31 Dec 2017	0.6		O accumulation				431.96
31 Dec 2015 – 31 Dec 2016	13.7		O income				290.56
31 Dec 2014 – 31 Dec 2015	-0.6		C accumulation				439.25
31 Dec 2013 – 31 Dec 2014	5.7		C income				295.61
31 Dec 2012 – 31 Dec 2013	9.3						

Source: Ruffer LLP, FTSE International (FTSE)

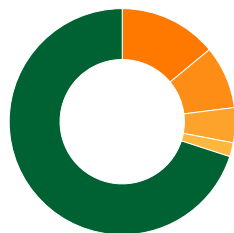
Ruffer performance is shown after deduction of all fees and management charges, and on the basis of income being reinvested. Past performance is not a guide to future performance. The value of the shares and the income from them can go down as well as up and you may not get back the full amount originally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

# LF Ruffer Total Return Fund as at 28 February 2018

## Asset allocation



## Currency allocation



## 10 largest of 78 equity holdings\*

Stock	% of fund
Mitsubishi UFJ Financial	2.0
Sony	1.8
Sumitomo Mitsui Financial	1.8
Dai-ichi Life Insurance	1.7
T&D	1.6
Vivendi	1.4
BP	1.4
Tesco	1.2
Lloyds Banking Group	1.0
Resona Holdings	1.0

## 5 largest of 16 bond holdings

Stock	% of fund
UK Treasury index-linked 1.875% 2022	4.0
US TIPS 0.125% 2022	3.8
UK Treasury index-linked 1.25% 2055	3.8
UK Treasury index-linked 0.375% 2062	3.6
US TIPS 1.25% 2020	3.1

\*Excludes holdings in pooled funds  
Source: Ruffer LLP

## Asset allocation

Asset Allocation Category	%
Cash	19
Non-UK index-linked	14
Long-dated index-linked gilts	13
Index-linked gilts	6
Gold and gold equities	5
Illiquid strategies	4
Options	1
Japan equities	17
UK equities	10
North America equities	4
Europe equities	4
Asia ex-Japan equities	3

## Currency allocation

Currency Allocation Category	%
Sterling	70
US dollar	14
Yen	9
Gold	5
Other	2

The views expressed in this report are not intended as an offer or solicitation for the purchase or sale of any investment or financial instrument. The views reflect the views of Ruffer LLP at the date of this document and, whilst the opinions stated are honestly held, they are not guarantees and should not be relied upon and may be subject to change without notice.

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 £3,143.1m

## Fund information

	O class	C class
Ongoing Charges Figure	1.55	1.25
Annual management charge	1.50	1.20
Maximum initial charge	5.0	5.0
Yield	1.54	1.54
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	
ISIN	GB0009684100 (acc) GB0009684878 (inc)	GB00B80L7V87 (acc) GB00B58BQH88 (inc)
SEDOL	0968410 (acc) 0968487 (inc)	B80L7V8 (acc) B58BQH8 (inc)
Investment adviser	Ruffer LLP	
ACD	Link Fund Solutions Limited	
Depository	The Bank of New York Mellon (International) Limited	
Auditors	Grant Thornton UK LLP	
Structure	Sub-fund of LF Ruffer Investment Funds (OEIC) UK domiciled UCITS Eligible for ISAs	

## Dealing line

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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. 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 28 February 2018, assets managed by the Ruffer Group exceeded £22.5bn, of which over £13.8bn was managed in open-ended Ruffer funds.

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