

LF Ruffer Total Return Fund

Positive absolute returns with low volatility



July 2018 Issue 186

During July, the fund price rose by 0.4%. This compared with a rise of 1.3% in the FTSE All-Share Index and a fall of 0.4% in the FTSE Govt All Stocks Index (all figures total returns in sterling).

Unlike the economy, financial markets have lost momentum. Many equity indexes outside of the US are flat or worse year to date – Asian markets are notably in the red with Shanghai down 15%. The troubles in these mercantilist Asian markets are not surprising, given rhetoric on tariffs has evolved into real action. We continue to monitor these developments closely for the opportunities and threats they pose to individual equity stories but also because we believe they act as signposts on the way to a less globalised, and potentially less deflationary world.

Despite the inward looking politics and 'beggar thy neighbour' trade policies, the US continues to lead the economic charge. During the Obama administration US GDP growth averaged 2.1% and the idea of 'secular stagnation' was all the rage in explaining why structural growth rates would be perennially lower.

In contrast, President Trump's pro-business policy mix has offered significant relief to corporates in the US who have felt inhibited since the global financial crisis. This has catalysed a mini investment boom and given the economic expansion a second wind. A Q2 US GDP print of 4.1% driven by equipment spending and commercial construction would suggest this cycle has some way left to run. It is possible that 2018 will break records for the global volume of M&A transactions. The labour market is in rude health, and finally, we are seeing some of the benefits accrue to workers via wage growth.

The cyclical equities in the portfolio were profitable over the month, benefitting from the combination of rising interest rates and strong economic activity. Significant contributions came from Walt Disney, National Oilwell Varco, Cleveland Cliffs and Japanese financial stocks.

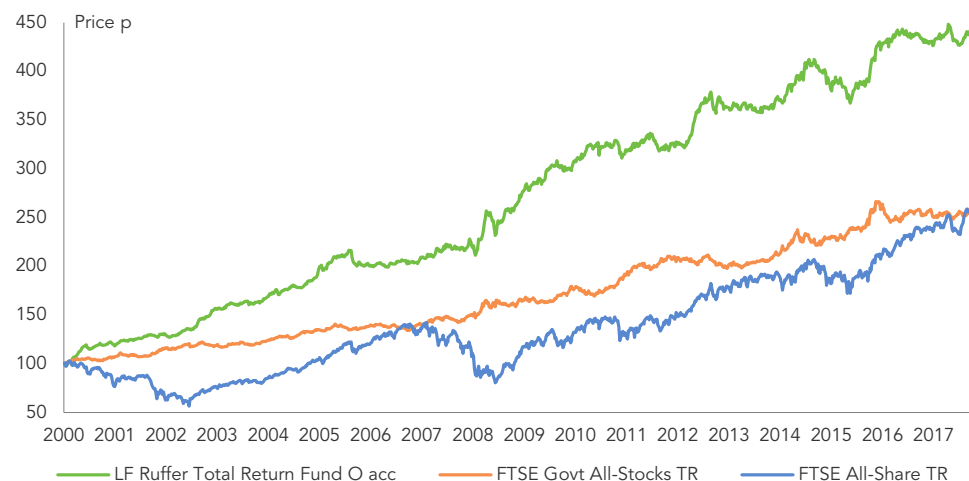
We have been expressing a positive view on the global economy for a couple of years but our optimism has always been tempered by the number of risks that could abruptly end this 'Goldilocks' period for financial markets. The technical fragilities that so nearly caused a crisis in February are less acute but remain a chronic problem. The looming issue for the coming months will be how a hot economy and elevated financial markets handle tightening financial conditions and any political curve balls.

The Federal Reserve remains steadfast on raising rates. At the same time the market must absorb quantitative tightening running at \$600bn and net issuance of around \$1tn of US treasuries in 2019. It is impossible to forecast at which point rising interest rates or an inverted yield curve will effect equities. However, this market cycle is abnormally long in the tooth, the punch bowl of easy money is being gradually removed and asset prices are high. It is a time to know the risks in your portfolio and how you might be compensated for taking them.

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 %	July 2018	Year to date	1 year	3 years	5 years	10 years	
O accumulation shares	0.4	-0.2	2.1	9.5	19.3	102.9	
Percentage growth (O acc)	%		Share price as at 31 July 2018				
30 Jun 2017 – 30 Jun 2018	0.8		O accumulation				438.75
30 Jun 2016 – 30 Jun 2017	8.3		O income				293.36
30 Jun 2015 – 30 Jun 2016	-0.6		C accumulation				446.71
30 Jun 2014 – 30 Jun 2015	10.9		C income				298.86
30 Jun 2013 – 30 Jun 2014	0.1						

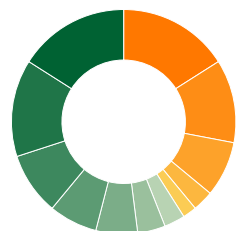
Source: Ruffer LLP, FTSE International (FTSE)

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.

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.

LF Ruffer Total Return Fund as at 31 July 2018

Asset allocation



Currency allocation



10 largest of 75 equity holdings*

Stock	% of fund
Mitsubishi UFJ Financial	2.1
Tesco	2.1
iShares Physical Gold	1.9
Sony	1.9
Sumitomo Mitsui Financial	1.7
Walt Disney Company	1.6
Dai-ichi Life Insurance	1.5
ExxonMobil	1.5
Vivendi	1.4
Japan Post Holdings	1.4

5 largest of 15 bond holdings

Stock	% of fund
US TIPS 0.125% 2022	3.9
UK Treasury index-linked 1.875% 2022	3.9
UK Treasury index-linked 1.25% 2055	3.7
UK Treasury index-linked 0.375% 2062	3.7
US TIPS 1.25% 2020	3.2

*Excludes holdings in pooled funds
Source: Ruffer LLP

Asset allocation

Asset Allocation Category	Percentage
Non-UK index-linked	16
Long-dated index-linked gilts	14
Cash	9
Gold and gold equities	7
Index-linked gilts	6
Illiquid strategies	4
Short-dated bonds	3
Japan equities	16
UK equities	12
North America equities	8
Europe equities	3
Asia ex-Japan equities	2

Currency allocation

Currency Allocation Category	Percentage
Sterling	69
US dollar	16
Gold	7
Yen	5
Other	3

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 £3,294.0m

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	1.43	1.44
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	
	O class	C class
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	Ernst & Young 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 30 June 2018, assets managed by the Ruffer Group exceeded £22.3bn.

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