

LF Ruffer Diversified Return Fund

Positive absolute returns with low volatility

The Federal Reserve, the IMF, the Bank of England and Goldman Sachs amongst others have moved their forecasts to suggest a soft landing, or no landing, is the most likely outcome for the global economy. A new, rosier narrative has emerged: that a recession will be avoided, and immaculate disinflation has been achieved vindicating market bulls and central bankers alike. The Nasdaq is up 37% year to date, performance to rival the dot.com boom.

This looks to us like a prime example of price action driving the narrative. Markets think a recession can be avoided because markets are going up. However, economic fundamentals continue to weaken with a reduced availability of credit, visible cracks in a previously strong labour market, and other key leading indicators such as manufacturing survey data are now in recessionary territory. Meanwhile, monetary conditions continue to tighten as global central banks raise rates and quantitative tightening (QT) continues apace. We believe that both the economy and financial ecosystem are conditioned to low interest rates and are incapable of enduring interest rates in excess of 5%.

At the same time, real yields are dramatically increasing – now as high as 3% on two year US inflation protected bonds. We have previously focused on the speed at which real yields have risen, as a guide to market fragility. This year real yields have risen slowly, but inexorably, and we think the second half of 2023 will be about discovering where the biting point is. If history is our guide, it is close.

In July, the rise in global real yields hurt inflation linked bonds. The mix of derivative protections were also a small drag. These were more than offset by our oil exposure, the biggest risk-on asset in the portfolio, which rose 14% in the month in response to further OPEC supply cuts.

On the penultimate day of the month the Bank of Japan ended their yield curve control policy. The news was met with a pop rather than a bang – the yen didn't move much. However, that pop was the starting pistol for something bigger. We have considerable exposure to the yen, directly and via derivatives, and believe these positions have a long way to run. The end of extreme monetary policy divergence, forcing all weakness through the currency, should see a material strengthening in the yen. Japanese government bond yields floating higher may be the final anchor to slip loose on global duration, which will have ripples across other capital markets.

The surge in risk appetite from the presumed economic 'all clear' has allowed credit spreads to tighten, equity market puts have become cheaper still, and equity volatility (measured by the VIX) has now fallen back to pre-covid levels. Having cost the portfolio year to date, these protections are now highly attractive and, usually, tend to be most advantageous when nobody wants them.

The overarching message to our investors is that we have been here before, and that feeling uncomfortable is sometimes necessary for differentiated results. We retain a high level of conviction that the portfolio is correctly positioned given the environment we see and hope to deliver on the patience and faith shown in us by our investors this year.

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.

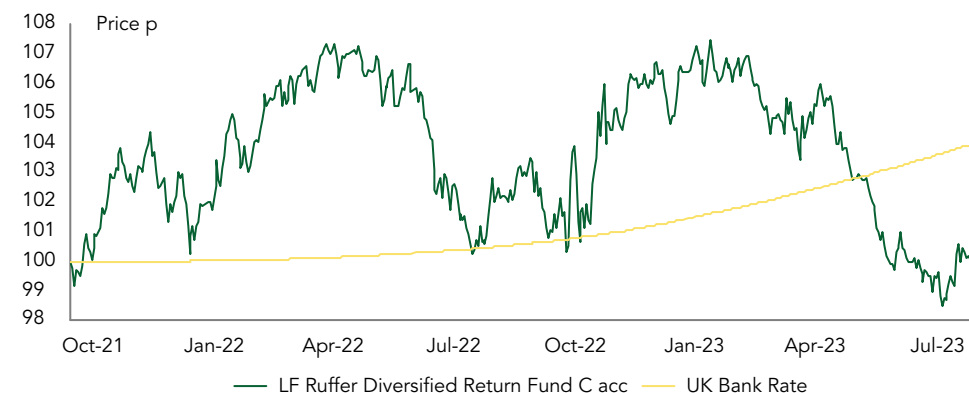


C class July 2023 Issue 23

Investment objective

To seek to achieve positive returns in all market conditions over any 12 month period, after all costs and charges have been taken. Underlying this objective is a fundamental philosophy of capital preservation. Capital invested is at risk and there is no guarantee that a positive return will be delivered over any one or a number of 12 month periods.

Performance since fund launch on 15 September 2021



C accumulation shares	Performance %	Share price as at 31 July 2023	p
July 2023	0.9	C accumulation	99.82
Year to date	-6.5	C income	97.99
1 year	-1.7		

12 month performance to June %	2023
LF Ruffer Diversified Return Fund C acc	-2.7
UK Bank Rate	3.2

Source: Ruffer LLP, Bloomberg. The comparator benchmark shown in this document is as stated in the fund's prospectus.

LF Ruffer Diversified Return Fund as at 31 Jul 2023

Asset allocation



Asset allocation	%
Short-dated bonds	40.8
Cash	17.8
Non-UK index-linked	8.2
Long-dated index-linked gilts	7.6
Gold exposure and gold equities	4.1
Index-linked gilts	1.3
Protection strategies and options	-0.9
Commodity exposure	6.9
North America equities	4.6
UK equities	3.3
Asia ex-Japan equities	2.7
Europe equities	2.3
Japan equities	0.7
Other equities	0.5

Currency allocation	%
Sterling	67.5
Yen	15.6
US dollar	7.9
Australian dollar	3.9
Euro	2.5
Other	2.6

Currency allocation



10 largest equity holdings

Stock	% of fund
iShares MSCI EM Asia UCITS ETF	1.2
Alibaba Group ADR	0.9
Bayer AG	0.6
Agnico Eagle Mines	0.6
Taiwan Semiconductor Manufacturing Co	0.5
Cigna	0.5
BP	0.5
Ambev SA	0.5
Unilever	0.5
Berkshire Hathaway	0.4

5 largest bond holdings

Stock	% of fund
US Treasury FRN 31 Oct 2024	7.1
US Treasury FRN 31 Jan 2024	6.4
Japanese govt bonds 0.005% 1 Jun 2024	3.5
Japanese govt bonds 0.005% 1 Apr 2024	3.5
Japanese govt bonds 0.005% 1 May 2024	3.5

Source: Ruffer LLP.
Pie chart totals may not equal 100 due to rounding.

Fund size £2,062.5m

Fund information

Ongoing Charges Figure (capped)	1.12
Annual management charge	1.1
Yield (historic)	1.9
Minimum investment	£1,000
Ex dividend dates	15 Mar, 15 Sep
Pay dates	15 May, 15 Nov
Dealing frequency	Daily
Valuation point	12:00
ISIN	Accumulation: GB00BMWLQT53 Income: GB00BMWLQS47
SEDOL	BMWLQT5 BMWLQS4
Investment manager	Ruffer LLP
Auditors	Ernst & Young LLP
Authorised Corporate Director	Link Fund Solutions
Depository	The Bank of New York Mellon (International) Limited
Structure	Sub-fund of LF Ruffer Managed Funds (OEIC) UK domiciled UCITS Eligible for ISAs

Dealing line 0345 601 9610

Enquiries

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Fund Managers

Duncan MacInnes

INVESTMENT DIRECTOR
Joined Ruffer in 2012. He graduated from the University of Glasgow School of Law in 2007 and spent four years working at Barclays in Glasgow, London and Singapore. He is a CFA charterholder and co-manager of two of Ruffer's flagship funds.



Ian Rees

INVESTMENT DIRECTOR
Joined Ruffer in 2012, after graduating from the University of Bath with an honours degree in economics. He spent 2017 in Ruffer's Hong Kong office working as an equity analyst covering emerging markets, and is a CFA charterholder.



Fund Specialist

Jasmine Yeo

INVESTMENT MANAGER
Joined Ruffer in 2017, having graduated with a degree from Warwick Business School. She is a member of the CISI, following completion of the CISI Masters in Wealth Management. She has managed private client portfolios and now works with wealth managers and advisors as part of Ruffer's UK wholesale team. She is co-manager of one of Ruffer's flagship funds.



Ruffer LLP

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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.

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