

# LF Ruffer Diversified Return Fund

Positive absolute returns with low volatility

There was a growing sense through September that a combination of US economic resilience and higher oil prices would force the US Fed to keep interest rates higher for longer. The latest 'dot plot' of Federal Open Markets Committee board members' expectations for interest rates over the coming few years, which the Fed uses to influence the market's expectations of the level and path of future interest rates, seemed to confirm as much – suggesting for the first time that rates would stay above 5% for all of 2024. A persistently strong economy with a persistent inflation problem demands persistently high interest rates. Equity and bond markets had already started to roll over in anticipation, but the release of the dot plot on 20 September encouraged them both lower into month end.

That the fund largely sidestepped these falls was thanks to the large allocation to very short-dated UK and US government bonds, which carried positively even as longer-term interest rates rose. The fund's position in oil and energy and related equities also made a positive contribution, benefitting from supply-side discipline from both OPEC and marginal US producers. It is our view recession risks are building, and oil will not be immune once the market downgrades demand expectations, so we took some profits.

On the other side of the ledger, the fund's longer dated bond holdings, in US (TIPS) and UK inflation-linked bonds, were the biggest detractors from performance. Towards the end of the month, we decided to take advantage of these falls to add to US TIPS, allocating 5% of the fund's capital to ten year bonds offering real yields of nearly 2.3%. This was partly funded by a sale of the small remainder of the fund's gold bullion exposure. The latter has remained remarkably resilient in the face of persistently high US real rates, giving us an opportunity to switch the exposure into TIPS at what we deem very good relative value.

We also took advantage of the spurt of US dollar strength in September to reduce US dollar exposure in favour of further bolstering our yen position, which now makes up c20% of the fund. We continue to expect the yen to be one of the assets at the epicentre of an unwind of trades that have proved popular this year but that we deem unsustainable.

On the flip side of US dollar strength was sterling weakness, which also allowed us to exit the position in Australian government bonds on favourable terms. We remain cautious on sterling, but it has fallen hard and fast over the last couple of months and we don't want a temporary reversal to hold back performance.

A darkening economic reality, combined with tight monetary policy in the UK and US and incrementally restrictive policy from the Bank of Japan, we think will ultimately cause a great, and quite possibly sudden, reversal of the market moves over the first eight months of 2023. When it comes, this should benefit the fund's biggest positions, in UK and US inflation-linked bonds, and the yen. We may well look back on September 2023 as a turning point.

We are holding a meeting for shareholders on Tuesday 5 December at our London office. If you would like to attend please email [ruffer@ruffer.co.uk](mailto:ruffer@ruffer.co.uk)

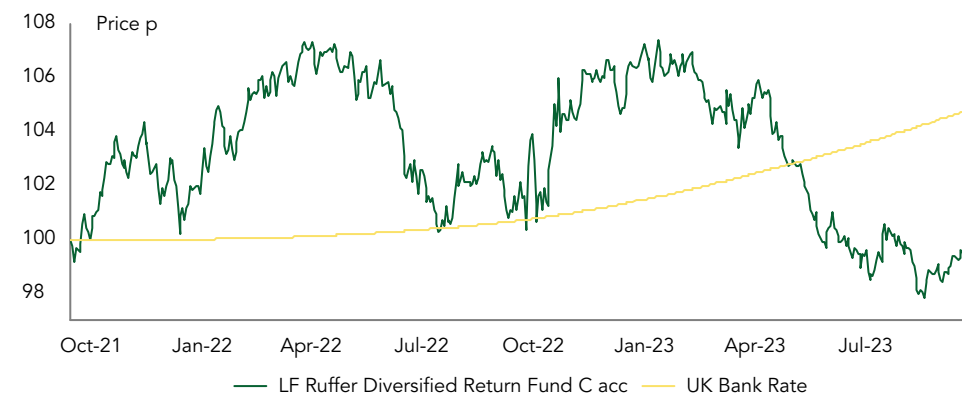


C class September 2023 Issue 25

## 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 29 September 2023	p
September 2023	-0.3	<b>C accumulation</b>	<b>98.57</b>
Year to date	-7.7	<b>C income</b>	<b>96.09</b>
1 year	-5.0		

12 month performance to September %	2022	2023
LF Ruffer Diversified Return Fund C acc	3.4	-5.0
UK Bank Rate	0.8	4.1

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

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 Diversified Return Fund as at 29 Sep 2023

## Asset allocation



Asset allocation	%
Short-dated bonds	41.2
Cash	14.2
Non-UK index-linked	11.1
Long-dated index-linked gilts	6.5
Index-linked gilts	4.8
Gold exposure and gold equities	2.0
Protection strategies and options	-0.2
Commodity exposure	6.1
North America equities	5.5
UK equities	3.1
Europe equities	2.8
Asia ex-Japan equities	2.4
Other equities	0.4

Currency allocation	%
Sterling	66.6
Yen	19.6
US dollar	9.5
Euro	0.8
Australian dollar	0.6
Other	2.9

## Currency allocation



## 10 largest equity holdings

Stock	% of fund
Alibaba Group ADR	0.8
Cigna	0.7
Agnico Eagle Mines	0.6
Bayer AG	0.6
BP	0.5
Amazon	0.5
iShares MSCI EM Asia UCITS ETF	0.5
iShares MSCI China A UCITS ETF	0.5
Taiwan Semiconductor Manufacturing Co	0.5
Berkshire Hathaway	0.5

## 5 largest bond holdings

Stock	% of fund
US Treasury FRN 31 Oct 2024	5.0
US Treasury FRN 31 Jan 2024	5.0
US Treasury FRN 31 Jul 2024	3.9
Japanese govt bonds 0.005% 1 Jun 2024	3.5
Japanese govt bonds 0.005% 1 Apr 2024	3.5

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

Fund size **£2,012.4m**

## Fund information

Ongoing Charges Figure (capped)	1.12	%
Annual management charge	1.1	
Yield (historic)	1.8	
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

Ruffer LLP  
80 Victoria Street  
London SW1E 5JL

+44 (0)20 7963 8218  
rif@ruffer.co.uk  
ruffer.co.uk



## 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

Ruffer LLP manages investments on a discretionary basis for private clients, trusts, charities and pension funds. As at 31 August 2023, assets managed by the Ruffer Group exceeded £24.2bn.

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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.