LF Ruffer Total Return Fund

Positive absolute returns with low volatility

C class February 2023 **Issue 242**

February saw the return of a 'good news is bad news' dynamic in markets as a string of positive economic surprises out of the US reignited concerns about inflation and, with it, expectations of more central bank rate hikes. This meant January's Goldilocks 'soft landing' became February's 'no landing' – a scenario in which growth remains stronger for longer, forcing interest rates to remain higher for an extended period. This was painful for most assets, with bonds suffering the most severe whiplash as global bonds followed up their best (ever) January with their worst February performance since 1990.

Whilst the bond market adjusted in real time, with yields and short-term inflation expectations rising over the month as markets priced interest rates in the US to reach 5.5% by the end of the summer (up from 4.9% at the start of the month), equities remained remarkably sanguine. At least until Valentine's Day brought stronger than expected US inflation data, hitting January's equity darlings as rate-sensitive names fell furthest (the Nasdaq fell 6.9% on the month). Against this backdrop of rising yields, the fund's long-dated inflation-linked bonds suffered, as they were not met with a commensurate rise in longer term inflation expectations. Gold, which had the additional headwind of a rising US dollar, also detracted from performance. Our protective assets offered little help as volatility and credit spreads remained subdued. Whilst a falling oil price over the period was reflected in the negative contribution from our commodity exposure, the fund's energy equities made positive returns.

The question now is whether this is just a blip in this year's risk rally, or a sign of things to come. So far, a confluence of factors has created a tactical runway for markets in the coming months. These include China re-opening, a European energy-driven rebound, US consumer resilience and positive liquidity from central banks in China, Japan, and Europe. In light of this we have used the recent weakness to add to some of our risk assets, primarily via China sensitive equities and commodities. However, we do not view this set up as sustainable for 2023 as a whole, and our positioning continues to be informed by three essential judgements: inflation can't fall back to target without recession, recession won't come without tightening financial conditions, and we won't get tighter financial conditions unless central banks are hawkish.

We are already seeing evidence a global growth rebound is inconsistent with sustained disinflation. With Fed officials having now put a 50 basis point hike back on the table, we expect both fundamentals and liquidity conditions to be challenged in the second half of the year. Hence, we have used this year's decline in volatility (equity and credit) to dial up the protection in the portfolio, using VIX calls again for the first time since 2020. What's more, equity risk premiums remain extremely depressed (at the time of writing, the yield on a six month treasury bill exceeds the earnings yield on the S&P 500) and thus our overall allocation to risk assets remains low in favour of the optionality of cash.

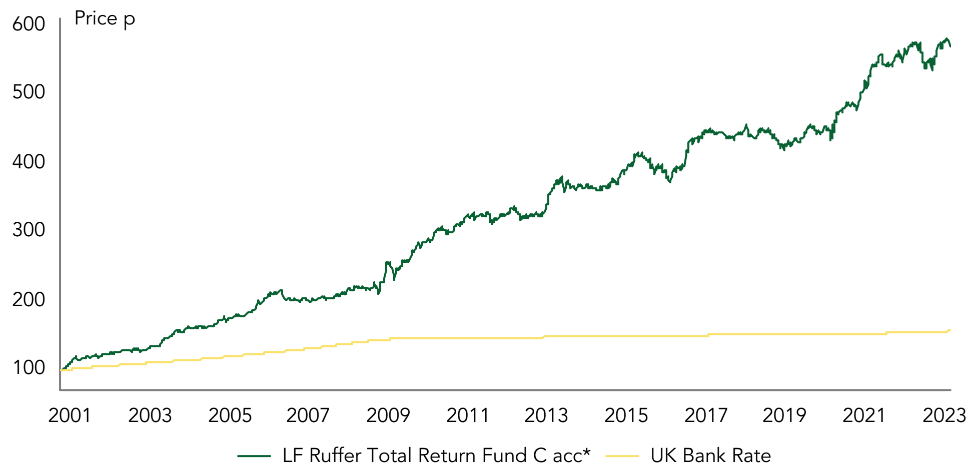
The danger today is the equity market had a narrative that it is now reluctant to abandon. We, the Fed and the bond market, it seems, have Keynes in our minds: "When the facts change, I change my mind – what do you do, sir?" So far equity markets and many investors, do not.

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.

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 twelve-month period.

Performance since fund launch on 29 September 2000



C accumulation shares	Performance %
February 2023	-1.5
Year to date	-1.3
1 year	-0.3
3 years	31.0
5 years	29.2
10 years	57.3

Share price as at 28 February 2023	p
C income	**353.91**
C accumulation	**567.49**

12 month performance to December %	2018	2019	2020	2021	2022
LF Ruffer Total Return Fund C acc*	-6.5	8.4	11.9	8.8	4.3
UK Bank Rate	0.6	0.8	0.2	0.1	1.5

Source: Ruffer LLP, Bloomberg. The comparator benchmark shown in this document is as stated in the fund's prospectus. * This share class has performance data calculated prior to the inception date, 12 Sept 2012. This is based upon a simulated/extended track record, using the track record of LF Ruffer Total Return Fund O acc.

LF Ruffer Total Return Fund as at 28 Feb 2023

Asset allocation

Currency allocation

Asset allocation	%
Short-dated bonds	34.3
Non-UK index-linked	11.0
Index-linked gilts	8.9
Cash	8.9
Long-dated index-linked gilts	5.7
Gold exposure and gold equities	3.7
Protection strategies and options	0.1
Commodity exposure	8.4
UK equities	6.8
Europe equities	4.0
North America equities	3.4
Asia ex-Japan equities	3.0
Japan equities	1.5
Other equities	0.4

Currency allocation	%
Sterling	65.8
US dollar	12.7
Yen	10.2
Australian dollar	6.2
Euro	1.5
Other	3.6

10 largest equity holdings*

Stock	% of fund
BP	2.6
iShares MSCI China A UCITS ETF	1.0
Taiwan Semiconductor Manufacturing Co	0.9
Bayer	0.5
Royal Vopak	0.5
Alibaba Group	0.4
Alibaba Group Holding	0.4
Coty	0.4
Ambev SA	0.4
Man Group	0.3

5 largest bond holdings

Stock	% of fund
US Treasury FRN 31 Jul 2024	8.7
US Treasury FRN 31 Jan 2024	7.3
UK Treasury index-linked 2.5% 2024	5.2
US Treasury 0.625% TIPS 2023	4.6
US Treasury FRN 31 Oct 2024	4.4

*Excludes holdings in pooled funds

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

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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 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.

Fund size £3,421.3m

Fund information

		%
Ongoing Charges Figure		1.22
Annual management charge		1.20
Maximum initial charge		5.0
Yield		2.43
Minimum investment		£1,000
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
	Accumulation	Income
ISIN	GB00B80L7V87	GB00B58BQH88
SEDOL	B80L7V8	B58BQH8
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

Enquiries

Ruffer LLP
80 Victoria Street
London SW1E 5JL

+44 (0)20 7963 8254
rif@ruffer.co.uk
ruffer.co.uk

DYNAMIC PLANNER PROFILED 4

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Fund Managers

Steve Russell

INVESTMENT DIRECTOR

Graduated from the University of 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 co-manager of two of Ruffer's flagship funds.

Matt Smith

INVESTMENT DIRECTOR

Joined Ruffer in 2011 after graduating from the University of Edinburgh with a first class honours degree in history and German. He spent 2015 seconded to Ruffer's Hong Kong office as an equity analyst, and is a fellow of the CISI. He co-manages two of Ruffer's flagship funds.

Alexander Chartres

INVESTMENT DIRECTOR

Joined Ruffer in 2010 after graduating from Newcastle University with a first class honours degree in history and politics. He is a member of the CISI and co-manages two 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 January 2023, assets managed by the Ruffer Group exceeded £26.5bn.

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