

LF Ruffer Total Return Fund

Positive absolute returns with low volatility



I class January 2019 Issue 193

During January, the fund price rose by 3.4%. This compared with a rise of 4.2% in the FTSE All-Share Index and an increase of 1.1% in the FTSE Govt All Stocks Index (all figures total returns in sterling).

After their pronounced fall in December, January saw global equities recoup some of their losses, rising around 5% in sterling during the month. The principal reason was not hard to find: soothing words from Jerome Powell, chairman of the US Federal Reserve, concerning the future path of US interest rates and the shrinkage of the Fed's balance sheet, both of which had been key factors in December's sell off. With markets sensing that the US central bank was back on their side, little further encouragement was needed for equities to rally sharply.

We are more than a little concerned that the above development has made investors complacent, and increased the Fed's dilemmas going forward. Markets have now priced out any rises in US interest rates this year, even though US jobs growth remains strong, unemployment is at 40 year lows and US wage growth above 3%. If such trends continue, interest rate rises will be back on the table, and the confidence of last month could evaporate rapidly. If, on the other hand, the Fed stands pat in such circumstances, the risk of inflation seeping back into the system will grow, and it will be deemed to be behind the curve and to have lost control of policy. Under those conditions the portfolio's US inflation-linked bonds, which we increased towards the end of last year, will step into the limelight.

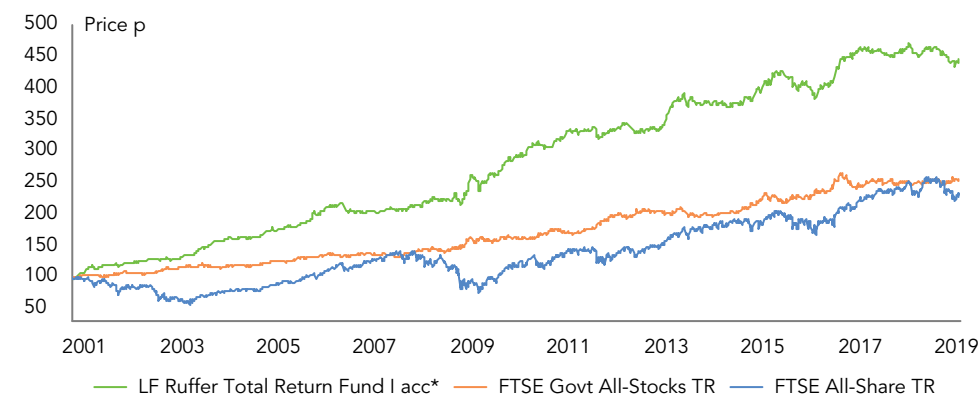
On a short-term view, we have no grouse with the view that equities could rally further, and to that extent it has been pleasing to see several of the portfolio's cyclical stocks, some of which we added to in the extreme weakness of Q4, staging a healthy recovery last month. However, we are loath to raise further the portfolio's exposure to equities. While January saw a strong recovery in credit, we remain concerned about the continuing degradation in lending standards and the lack of risk premium being offered to buyers of corporate bonds. Today, 50% of outstanding investment grade credit is rated BBB, (one notch above junk status), whilst the underlying corporates have higher leverage and the loan documents fewer protective covenants than at the peak of the last cycle. While our credit protections unsurprisingly lost ground in January, giving back some of the near 30% gain made as markets fell in Q4, we took the opportunity brought about by that weakness to reinforce those positions. This reflects our belief that the area of credit remains the most treacherous part of the financial system. With liquidity in this market a shadow of its former self, we believe any accident in corporate bonds could rapidly spread to other risk assets, further supporting our relatively cautious stance.

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.

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 fund launch on 29 September 2000



Performance %	January 2019	Year to date	1 year	3 years	5 years	10 years
I accumulation shares		3.4	3.4	-3.4	14.3	19.8
						72.9
Percentage growth (I acc)		%	Share price as at 31 January 2019			
31 Dec 2017 – 31 Dec 2018		-6.3	I accumulation			
31 Dec 2016 – 31 Dec 2017		1.1	I income			
31 Dec 2015 – 31 Dec 2016		14.3				
31 Dec 2014 – 31 Dec 2015		0.0				
31 Dec 2013 – 31 Dec 2014		6.0				

Source: Ruffer LLP, FTSE International (FTSE)†. * This share class has performance data calculated prior to the inception date, 3 Nov 2004. This is based upon a simulated/extended track record, using the track record of LF Ruffer Total Return Fund O acc.

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 31 Jan 2019

Asset allocation



Asset allocation %

● Non-UK index-linked	25.9
● Long-dated index-linked gilts	13.7
● Gold and gold equities	8.6
● Cash	7.4
● Illiquid strategies and options	6.8
● Index-linked gilts	2.0
● UK equities	9.9
● Japan equities	9.1
● North America equities	8.9
● Europe equities	4.4
● Asia ex-Japan equities	3.2

Currency allocation



Currency allocation %

● Sterling	70.9
● Gold	8.6
● US dollar	8.3
● Yen	7.6
● Euro	0.4
● Other	4.2

10 largest of 54 equity holdings*

Stock	% of fund
Tesco	1.9
Walt Disney Company	1.9
Cigna Corporation	1.5
Vivendi	1.5
Lloyds Banking Group	1.5
BP	1.4
Sumitomo Mitsui Financial Group	1.4
Mitsubishi UFJ Financial	1.3
DowDuPont	1.3
ExxonMobil	1.2

5 largest of 22 bond holdings

Stock	% of fund
UK Treasury index-linked 1.25% 2055	3.7
UK Treasury index-linked 0.375% 2062	3.6
US Treasury index-linked 0.125% TIPS 2022	2.9
US Treasury 0.375% TIPS 2023	2.7
US Treasury 0.125% TIPS 2022	2.6

*Excludes holdings in pooled funds
Source: Ruffer LLP.
Pie chart totals may not equal 100 due to rounding.

Fund size **£3,657.8m**

Fund information

Ongoing Charges Figure	1.05
Annual management charge	1.00
Maximum initial charge	5.0
Yield	1.41
Minimum investment	£30m
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
ISIN	Accumulation GB00B03JB001 Income GB00B03J9Y05
SEDOL	B03JB00 B03J9Y0
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**

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.



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 31 December 2018, assets managed by the Ruffer Group exceeded £20.9bn.

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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.

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