

LF Ruffer Total Return Fund

Positive absolute returns with low volatility



O class February 2020 Issue 206

During February, the fund price declined by 2.8%. This compared with a fall of 8.9% in the FTSE All-Share Index and a rise of 1.3% in the FTSE Govt All Stocks Index (all figures total returns in sterling).

February proved to be the month when concerns over coronavirus truly went global. With cases emerging in countries as far apart as Italy and Iran the illusion was shattered that this was an infection limited to China. With concerns growing about global supply chains and the availability of labour in China's factories, investors moved to price in lower growth and an increased risk of recession. Equity markets tumbled while safe havens, such as government bonds, registered gains. Gold had a wild ride, reaching \$1659 per ounce before ending the month unchanged at \$1585 per ounce.

It goes without saying that we did not in any way predict the onset of COVID-19. However we have been concerned for some time that equity and credit markets were priced for perfection, and that any one of several factors could expose their underlying fragilities. If economic growth slows, let alone a recession occurs, then profits go into reverse. The recent enormous rise in corporate debt, typically executed to fund share buybacks rather than investment in productive assets, will then be thrown into sharper relief. In a month when even the fund's prudent equity exposure proved in hindsight to be still too much, its credit protections stepped forward and rose around 15%. Owing to how these instruments are priced not all of that increase was captured in the fund's month end NAV, but we are very confident that if market conditions darken further these instruments will provide substantial gains, at a time when other assets will struggle. Ultimately it is the credit market that the US Federal Reserve (and equity investors) should be fearful of if growth continues to slow.

Looking out now we are not inclined to buy the dip, even after the sharp drop in equities. We have no greater forecasting power than the next man in terms of the spread of coronavirus, but viewing the slump in the official Chinese purchasing managers' indices, which in February hit levels even lower than those registered in the financial crisis, certainly provides food for thought.

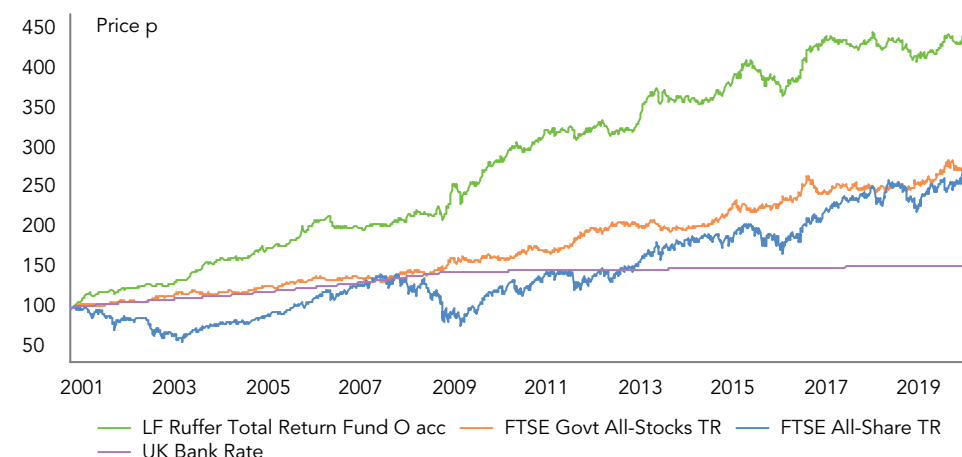
The world's authorities will undeniably do their best to keep the economic system afloat, witness the emergency intra-meeting cut of 0.5% in US interest rates by the Federal Reserve, although it must be pointed out that the performance of risk assets following such cuts has historically been decidedly mixed. Moreover monetary firepower is running low, most especially in the eurozone and Japan. For that reason, and for those of political economy, we have long articulated the view that the response to the next financial or economic downturn would have to be fiscal, against which eventuality the fund's UK index-linked bonds are key should inflation expectations consequently rise.

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.

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 %	February 2020	Year to date	1 year	3 years	5 years	10 years
O accumulation shares	-2.8	-4.4	1.9	-3.3	6.1	44.8
Percentage growth (O acc)	%		Share price as at 28 February 2020			
31 Dec 2018 – 31 Dec 2019	8.0		O accumulation			
31 Dec 2017 – 31 Dec 2018	-6.8		O income			
31 Dec 2016 – 31 Dec 2017	0.6					
31 Dec 2015 – 31 Dec 2016	13.7					
31 Dec 2014 – 31 Dec 2015	-0.6					

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.

LF Ruffer Total Return Fund as at 28 Feb 2020

Asset allocation



Asset allocation	%
Non-UK index-linked	23.5
Long-dated index-linked gilts	11.8
Illiquid strategies and options	8.7
Gold and gold equities	8.1
Short-dated bonds	3.8
Cash	2.6
Index-linked gilts	2.1

Currency allocation



UK equities	13.6
North America equities	9.6
Japan equities	9.1
Europe equities	4.4
Asia ex-Japan equities	2.6

Currency allocation	%
Sterling	76.9
Gold	8.0
Yen	6.9
US dollar	2.9
Euro	1.1
Other	4.2

10 largest equity holdings*

Stock	% of fund
Lloyds Banking Group	2.6
iShares Physical Gold	2.5
ExxonMobil	1.7
Tesco	1.7
Walt Disney Company	1.6
Sony	1.4
Royal Bank of Scotland	1.4
BP	1.1
Hennes & Mauritz	1.0
Mitsubishi Electric	1.0

5 largest of bond holdings

Stock	% of fund
US Treasury TIPS 1.25% 2020	6.4
US Treasury 1.125% TIPS 2021	5.0
UK Treasury index-linked 0.125% 2068	4.7
US Treasury 0.125% TIPS 2021	4.3
UK government 2.0% 2020	3.8

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

Fund size **£3,021.1m**

Fund information

Ongoing Charges Figure	1.52
Annual management charge	1.50
Maximum initial charge	5.0
Yield	1.59
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
ISIN	Accumulation GB0009684100 Income GB0009684878
SEDOL	0968410 0968487
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

www.ruffer.co.uk

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.



Matt Smith

INVESTMENT DIRECTOR

Joined Ruffer in 2011 after graduating from Edinburgh University 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 Chartered Institute for Securities & Investment, having achieved a distinction in the Financial Derivatives paper. He primarily manages portfolios for pension schemes and institutions.



Alexander Chartres

INVESTMENT DIRECTOR

Joined Ruffer in 2010 after graduating from Newcastle University with a first class honours degree in history and politics. He specialises in geopolitics and its investment implications, with a particular focus on European and Great Power politics.



Ruffer LLP

Ruffer LLP manages investments on a discretionary basis for private clients, trusts, charities and pension funds. As at 31 January 2020, assets managed by the Ruffer Group exceeded £19.5bn.

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.

† © FTSE. 'FTSE®' is a trade mark of London Stock Exchange Group companies and is used by FTSE under licence. All rights in the FTSE Data vest in FTSE and/or its licensors. Neither FTSE nor its licensors accept any liability in relation to the FTSE Data data. No further distribution of FTSE Data is permitted without FTSE's express written consent.



Issued by Ruffer LLP, 80 Victoria Street, London SW1E 5JL
Ruffer LLP is authorised and regulated by the Financial Conduct Authority. © Ruffer LLP 2020