LF Ruffer Total Return Fund

Positive absolute returns with low volatility

O class March 2020 **Issue 207**

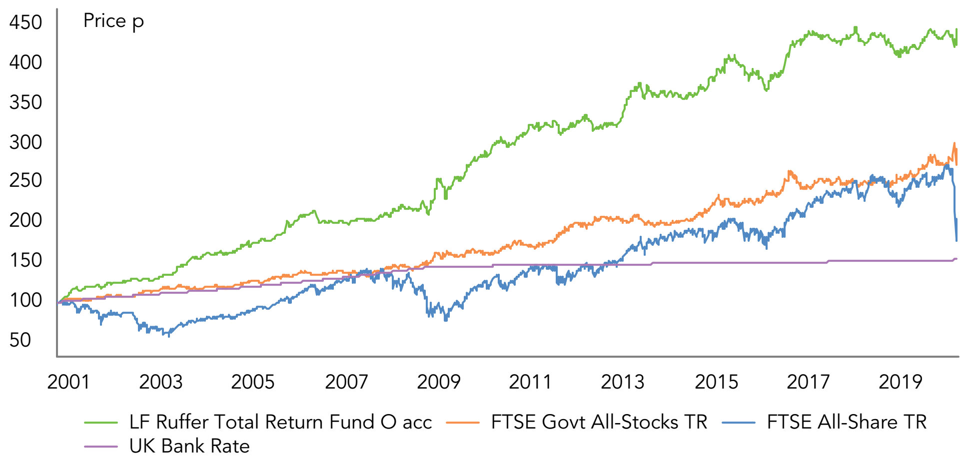
During March, the fund price rose by 3.6%. This compared with a fall of 15.1% in the FTSE All-Share Index and an increase of 1.4% in the FTSE Govt All Stocks Index (all figures total returns in sterling).

Lenin mused that 'there are decades where nothing happens; and there are weeks where decades happen'. March had four such weeks. COVID-19 scythed through Europe and the US whilst rolling shutdowns created the worst ever peacetime output collapse. Unprecedented economic uncertainty, intensified by a Russia-Saudi oil war, drove market volatility unseen since the Great Depression. March marked the end of history's longest US equity bull market with the fastest ever decline into a bear market from an all time high and the largest one day falls in major indices since 1987. The fund's derivative protections proved critical, blunting equity losses: we sold the VIX calls (adding +2.6% for the fund during March) and (most) equity put options (+1.4%); credit spreads blew out in Europe and the US lifting our credit protections (+4.7%). These fell back as the US Federal Reserve waded into corporate bond markets, but credit remains exposed and the focus of our remaining alternative protections. Traditional safe haven assets proved flakier friends. Gold and gold mining equities fell with stocks as many investors sold what they could, not what they wanted to. By contrast, capital preservation has allowed us to acquire mispriced assets amidst the volatility including gold mining equities; fixed income gyrations allowed us to add long-dated US TIPS (+20% in USD since purchase) at attractive yields. The Fed and fellow central banks need to anchor yield curves to reduce real rates of borrowing to make the debt splurge affordable. Given the 'wartime' scale of economic dislocation, actual fiscal stimulus required will likely far exceed that already declared. Yet 'buy the dip' remains a powerful instinct. Is proposed stimulus enough to allow markets to stabilise, 'looking through' to a post-virus era? With the depth and duration of record economic disruption unknowable but increasingly visible, and in the absence of a magic bullet (eg vaccine), further volatility is likely and risks accelerating an investor preference for liquidity. Should markets sustain a rally, long TIPS and gold mining equities mean that the fund's 'risk' assets are materially higher than the c 28% equity weight suggests. Central banks are throwing the kitchen sink at the crisis, but their omnipotence is another COVID-19 victim. On Sunday 15 March, the Fed cut rates to zero and unleashed massive quantitative easing. Markets fell sharply the following day, the third 'black' day this month. This was the Fed's 'emperor has no clothes' moment, and signalled the end of the post-1987 'Greenspan put' era, where monetary easing alone repeatedly bailed out fragile markets and economies. Exhausted monetary policy is impotent in the face of the massive real economy shock facing us, and markets know it. Game-changing 'helicopter money' – central bank financing of fiscal stimulus for the real economy – has arrived. Our bet remains that deeper financial repression will result, with inflation-linked bonds and gold the key fund defences.

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 %	March 2020	Year to date	1 year	3 years	5 years	10 years
O accumulation shares	3.6	-0.9	3.7	0.8	8.4	46.0

Percentage growth (O acc)	%
31 Mar 2019 – 31 Mar 2020	3.7
31 Mar 2018 – 31 Mar 2019	-1.1
31 Mar 2017 – 31 Mar 2018	-1.7
31 Mar 2016 – 31 Mar 2017	12.8
31 Mar 2015 – 31 Mar 2016	-4.7

Share price as at 31 March 2020	p
O accumulation	**438.74**
O income	**284.72**

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 31 Mar 2020

Asset allocation

Currency allocation

Asset allocation	%
• Non-UK index-linked	23.3
• Illiquid strategies and options	13.5
• Long-dated index-linked gilts	10.9
• Gold and gold equities	8.6
• Cash	5.5
• Index-linked gilts	5.5
• Short-dated bonds	3.7
• UK equities	10.0
• Japan equities	7.2
• North America equities	5.6
• Europe equities	4.1
• Asia ex-Japan equities	2.0

Currency allocation	%
• Sterling	74.5
• Yen	10.3
• Gold	8.8
• US dollar	2.9
• Euro	0.2
• Other	3.4

10 largest equity holdings*

Stock	% of fund
iShares Physical Gold	2.5
Lloyds Banking Group	2.1
Newmont Mining	1.2
Royal Bank of Scotland	1.1
Tesco	1.0
Mitsubishi Electric	1.0
BP	0.9
Sony	0.9
Kinross Gold	0.9
eHealth Inc.	0.9

5 largest of bond holdings

Stock	% of fund
UK Treasury index-linked 0.125% 2068	4.3
US Treasury 0.25% TIPS 2050	4.0
UK Treasury 2.0% 2020	3.7
US Treasury 0.875% TIPS 2029	3.6
UK Treasury index-linked 2.5% 2020	3.4

*Excludes holdings in pooled funds

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

Fund size £3,088.4m

Fund information

	%	
Ongoing Charges Figure		1.52
Annual management charge		1.50
Maximum initial charge		5.0
Yield		1.51
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	GB0009684100	GB0009684878
SEDOL	0968410	0968487
Investment adviser		Ruffer LLP
ACD		Link Fund Solutions Limited
Depositary		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

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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 29 February 2020, assets managed by the Ruffer Group exceeded £19.1bn.