LF Ruffer Total Return Fund

Positive absolute returns with low volatility

O class August 2020 **Issue 212**

During August, the fund price fell by 0.5%. This compared with a rise of 2.4% in the FTSE All-Share Index and a fall of 3.1% in the FTSE Govt All Stocks Index (all figures total returns in sterling).

Index-linked bonds have risen sharply since spring 2020. During August we took some profits in the longer dated US TIPS bought in March, but our conviction remains that financial repression (interest rates being kept below the rate of inflation) will be a key part of the investment landscape in the future. History shows us that equities, most bonds and cash are poor investments when inflation rises sharply, but real assets such as inflation-linked bonds and gold should do well. Let's visit the parts of the inflation jigsaw to examine what has changed since the onset of covid-19.

Supply side – disrupted supply chains and additional costs will drive prices higher. In many sectors fragmented supply chains have not recovered, bottlenecks remain and there are additional costs to protect employees and customers. The 'just in time' business model will be replaced with a 'just in case' model with greater emphasis on controlling production (ie bringing it in-house). Similarly, balance sheets will adjust by increasing cash and rainy-day reserves to weather future crises. This is all negative for profitability unless prices are increased.

Monetary/fiscal policy – money supply has gone through the roof since March, reflecting combined monetary-fiscal policy support unprecedented in scale, speed and breadth. At the same time control of the economy's steering wheel is unquestionably passing from central banks to governments. The conundrum for politicians is that reducing stimulus is not good for re-election prospects. As Milton Friedman once said 'Nothing is so permanent as a temporary government program.'

Past peak globalisation – before covid-19 the deflationary force of globalisation was already in retreat; this move has since accelerated. Trade protectionism will increase and offshoring to tap into cheap labour will become much harder. The trade war between the US and China is clear evidence of this and so is the talk of 'pay to stay' schemes in the US and Japan to encourage companies to move production back home.

Socio-political – before this year's events the need for the western world to inflate away its debt burden was desirable for reasons of demographics and wealth distribution. Now it is essential if the financial support provided during the crisis is to be remotely affordable. It is also unlikely that interest rates could rise meaningfully to counter inflationary pressures without damaging the debt-dependent economic recovery.

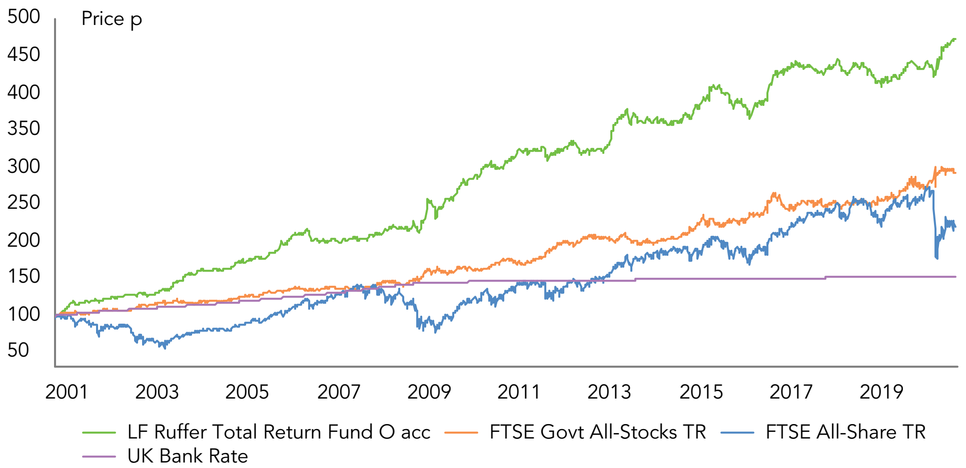
These changes all make it likely that we are entering a new economic regime, which will be one where financial repression and negative real interest rates will be the norm. Our job is to hold assets that will protect and grow our investors' capital through this period and in the aftermath. The roadmap of the last 40 years is unlikely to work; we believe index-linked bonds and gold will be key assets to hold, along with the right mix of equities and credit protection.

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 %	August 2020	Year to date	1 year	3 years	5 years	10 years
O accumulation shares	-0.5	6.0	5.3	9.0	19.3	57.4

Percentage growth (O acc)	%
30 Jun 2019 – 30 Jun 2020	8.6
30 Jun 2018 – 30 Jun 2019	-1.8
30 Jun 2017 – 30 Jun 2018	0.8
30 Jun 2016 – 30 Jun 2017	8.3
30 Jun 2015 – 30 Jun 2016	-0.6

Share price as at 28 August 2020	p
O accumulation	**469.43**
O income	**304.66**

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 Aug 2020

Fund size £3,328.3m

Asset allocation

Currency allocation

Asset allocation	%
Non-UK index-linked	22.0
Long-dated index-linked gilts	10.3
Illiquid strategies and options	10.1
Cash	9.8
Gold and gold equities	9.6
Short-dated bonds	6.4
Index-linked gilts	1.9
UK equities	9.1
Japan equities	7.1
Europe equities	6.3
North America equities	5.7
Asia ex-Japan equities	1.7

Currency allocation	%
Sterling	76.2
Gold	9.8
US dollar	8.1
Yen	2.5
Euro	0.8
Other	2.6

10 largest equity holdings*

Stock	% of fund
Lloyds Banking Group	2.2
iShares Physical Gold	1.7
Kinross Gold	1.5
ArcelorMittal	1.1
Tesco	0.9
Mitsubishi Electric	0.9
NatWest Group	0.9
VINCI SA	0.9
Wheaton Precious Metals	0.8
Fujitsu	0.8

5 largest bond holdings

Stock	% of fund
UK Treasury index-linked 0.125% 2068	4.1
US Treasury 0.875% TIPS 2029	3.3
UK Treasury 1.5% 2021	3.0
UK Treasury index-linked 1.25% 2055	2.9
US Treasury 0.25% TIPS 2029	2.8

*Excludes holdings in pooled funds

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

Fund information

		%
Ongoing Charges Figure		1.52
Annual management charge		1.50
Maximum initial charge		5.0
Yield		1.40
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

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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 worked as an equity analyst in Hong Kong before taking up a role in Ruffer's institutional investment team. He was made a manager of the Total Return Fund in 2019.

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 July 2020, assets managed by the Ruffer Group exceeded £20.4bn.

DYNAMIC PLANNER PROFILED 4

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