LF Ruffer Diversified Return Fund

Positive absolute returns with low volatility

C class January 2022 **Issue 5**

During January the fund price rose from 101.74p to 103.27p. This compared with a return on the UK Bank Rate of 0.0%.

Investors returned from the holiday period to face the prospect of much tighter financial conditions led by the US Federal Reserve. There are signs that higher inflation is embedding itself across the US economy, notably the labour market, and will not necessarily ease once supply chain disruptions abate. With interest rates close to zero and consumer price inflation at 7%, US policymakers are reacting to the realisation that conditions have been too accommodative for too long. Current expectations see four rate hikes in 2022, up from two at the turn of the year. Investors are forced to adapt to a world where the Fed now shows greater willingness to withstand financial market volatility in combatting inflation. The anticipation of rising rates provided a difficult backdrop for our inflation-linked bonds during the month, but this headwind was offset by the positive contribution from interest rate options. These options remain a key portfolio component and allow us to manage the fund's interest rate sensitivity in what we expect will be a volatile period for bond markets. The fund's duration remained close to zero as we ended the month.

Global equities offered little respite for investors, recording their worst monthly return (-4.5%) since March 2020. The declines were even greater for the technology focused Nasdaq composite (-9.0%), confirming our fears that the faster growing and more speculative parts of the equity market would be most acutely impacted by a rising cost of capital. Growing geopolitical tensions emanating from Russia and Ukraine did little to improve risk appetite. On a historical basis, inflation above 3% sees the correlation between bonds and equities turn positive and January provided a brief taste of the challenges conventional portfolios will encounter as monetary conditions tighten.

We are pleased to have delivered a positive return over the month when index level returns for both bonds and equities were negative. Despite the challenging backdrop, there were pockets of resilience as more cyclically exposed equities, which had been out of favour for much of the last decade, returned to prominence. Our equities, which are heavily tilted to this part of the market, contributed a positive return over the month. The most significant drivers of performance were the energy majors, which continued to rally as oil prices reached a seven year high. Demand remains strong and supply constrained, supporting our continued exposure across the energy sector. Elsewhere, bank stocks benefited from the rise in yields, supporting their position as an offset to the inflation-linked bonds. We resisted the urge to add meaningfully to equities during the recent weakness and instead maintain the current exposure at just below 40%.

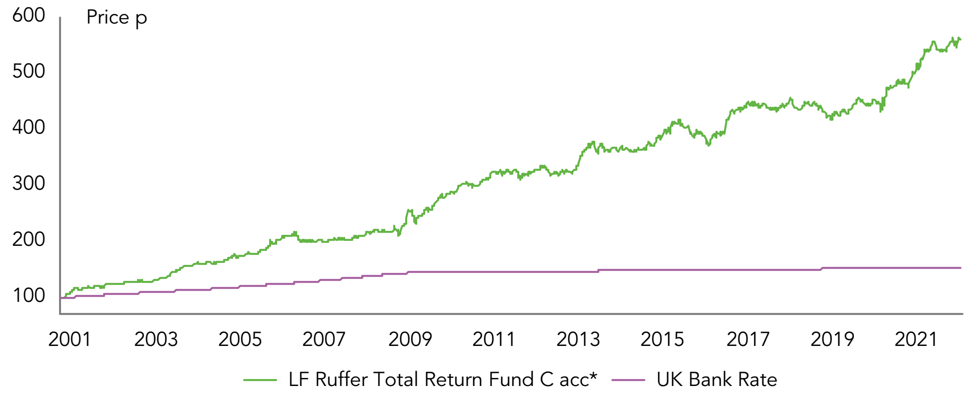
The Federal Reserve may be the first mover, but the current inflationary pressures are not confined to the US. Other central banks will face pressures to join them in attempting to remove the stimulus punchbowl. The coming interest rate cycle is unlikely to be as well choreographed or as smooth as the last, resulting in continued uncertainty and a testing time for financial assets. We believe we have the right toolkit to survive and perhaps thrive in this environment.

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 one or a number of 12 month periods.

Performance based on LF Ruffer Total Return Fund* since launch on 29 Sep 2000



*All figures refer to simulated past performance based on the actual performance of the LF Ruffer Total Return Fund and include reinvested income.

C accumulation shares*	Performance %
January 2022	0.9
Year to date	0.9
1 year	9.6
3 years	28.8
5 years	24.8
10 years	69.8

Share price as at 31 January 2022	p
C accumulation	**103.27**
C income	**103.41**

12 month performance to December %	2017	2018	2019	2020	2021
LF Ruffer Total Return Fund C acc*	0.9	-6.5	8.4	11.9	8.8
UK Bank Rate	0.3	0.6	0.8	0.2	0.1

Source: Ruffer LLP. Current UK regulations require that any information provided on past performance must be based on, and show complete 12 month periods, starting after the first complete calendar quarter. Therefore the performance charts and other relevant performance data will be provided after 30 September 2022. As such, the performance chart is that of the existing fund, LF Ruffer Total Return Fund, whereas the share price laid out above is of LF Ruffer Diversified Return Fund. Ruffer performance is shown in GBP after deduction of all fees and management charges, and on the basis of income being reinvested. Calendar quarter data has been used up to the latest quarter end and monthly data thereafter.

LF Ruffer Diversified Return Fund as at 31 Jan 2022

Asset allocation

Currency allocation

Asset allocation	%
Index-linked gilts	14.9
Cash	12.8
Long-dated index-linked gilts	11.4
Non-UK index-linked	7.9
Gold exposure and gold equities	7.4
Short-dated bonds	3.9
Options	3.0
UK equities	12.6
North America equities	10.3
Japan equities	8.6
Europe equities	5.8
Other equities	1.3

Currency allocation	%
Sterling	80.2
Yen	9.0
US dollar	5.7
Euro	1.0
Other	4.1

10 largest equity holdings

Stock	% of fund
Royal Dutch Shell	2.5
NatWest Group	2.0
BP	1.9
GlaxoSmithKline	1.7
Cigna	1.5
Bristol-Myers Squibb	1.2
Mitsubishi UFJ Financial Group	1.1
Volkswagen	1.1
Berkshire Hathaway	1.0
American Express	1.0

5 largest bond holdings

Stock	% of fund
UK Treasury index-linked 1.875% 2022	6.4
UK Treasury index-linked 0.125% 2024	5.3
UK Treasury index-linked 0.125% 2065	4.5
UK Treasury index-linked 0.125% 2068	4.2
UK Treasury 0.125% 2023	3.9

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

Fund size £238.2m

Fund information

	%
Ongoing Charges Figure (capped)	1.13
Annual management charge	1.1
Yield (historic)	NA
Minimum investment	£1,000
Ex dividend dates	15 Mar, 15 Sep
Pay dates	15 May, 15 Nov
Dealing frequency	Daily
Valuation point	12:00

	Accumulation	Income
ISIN	GB00BMWLQT53	GB00BMWLQS47
SEDOL	BMWLQT5	BMWLQS4

Investment manager	Ruffer LLP
Auditors	Ernst & Young LLP
Authorised Corporate Director	Link Fund Solutions
Depositary	The Bank of New York Mellon (International) Limited
Structure	Sub-fund of LF Ruffer Managed Funds (OEIC) UK domiciled UCITS Eligible for ISAs

Dealing line 0345 601 9610

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Fund Managers

Duncan MacInnes

INVESTMENT DIRECTOR

Joined Ruffer in 2012. He graduated from Glasgow University School of Law in 2007 and spent four years working at Barclays in Glasgow, London and Singapore. He is a CFA charterholder and is co-manager of Ruffer Investment Company.

Ian Rees

INVESTMENT DIRECTOR

Joined Ruffer in 2012, after graduating from the University of Bath with an honours degree in economics. He spent 2017 in Ruffer's Hong Kong office working as an equity analyst covering emerging markets, and is a CFA charterholder.

Rachel Holdsworth

FUND SPECIALIST

Joined Ruffer in 2013 after graduating from Oxford University with a first class honours degree in biological sciences. She is a member of the Chartered Institute for Securities & Investment.

Ruffer LLP

Ruffer LLP manages investments on a discretionary basis for private clients, trusts, charities and pension funds. As at 31 December 2021, assets managed by the Ruffer Group exceeded £24.0bn.