

LF Ruffer Diversified Return Fund

Positive absolute returns with low volatility

January was an extremely strong month for almost all asset classes – the best start to the year for US and European equity markets since 2019 and 2015 respectively. Bonds rallied strongly as well. Indeed, the only major asset that did not rise in January was oil.

What drove such a strong month? The answer lies in the market's expectations of future events and how they have changed since October. Three factors matter most: firstly, a more emollient tone from the Federal Reserve in the US. As inflation and economic data has softened, and the Federal Reserve has reflected this by slowing the pace of interest rate hikes, the market has moved quickly to rule out the possibility of the US being driven into a significant recession.

Secondly, the warm winter in Europe has allowed energy prices to fall dramatically (European gas prices have now fallen 85% from their peak in August) and thus eliminate the concerns over European stagflation. And finally, the chaotic and rapid Chinese reopening has driven up market expectations of global economic growth in 2023, particularly in those spots where it was weakest such as European manufacturing and Chinese real estate.

All this contributed to a rapid reduction in fears of possible 'bad outcomes' for the market, and this has been reflected in a massive 50% decline in equity volatility and a 40% decline in bond volatility since October, accelerating in January and supporting a huge increase in risk-taking in the financial system. All the assets which performed worst last year have performed best so far this year, from cryptocurrencies to the 60/40 balanced portfolio.

The fund's risk assets have participated in this rally, but the protection assets have almost entirely cancelled that out. Ultimately, we don't think the major asset classes have repriced sufficiently to reflect a (US) risk-free rate of 4.5% or higher, meaning that we see few good risk-reward opportunities. The market is salivating at the prospect of Federal Reserve interest rate cuts beginning in the summer; it might be right, but the rally means that it will now be painful if the cuts aren't delivered. We remain defensively positioned and think it prudent to watch proceedings from the sidelines: our focus is on balancing the portfolio to make sure it retains its ability to protect capital in the drawdown that we expect will be visible later in the year. Better to live to fight another day!

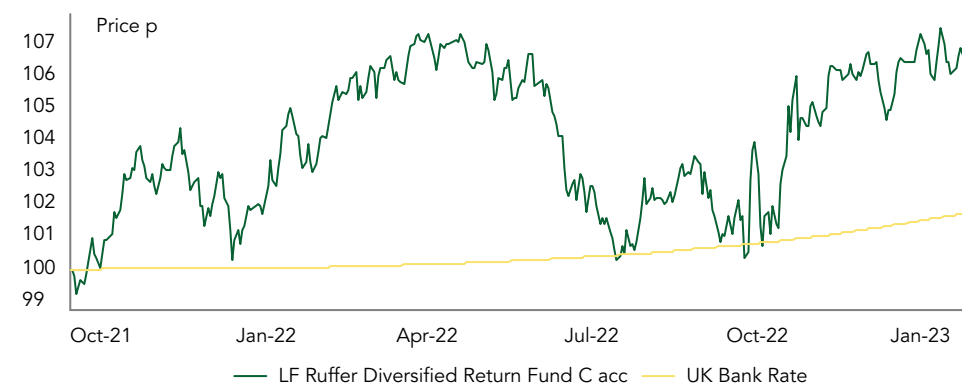


C class January 2023 Issue 17

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 since fund launch on 15 September 2021



C accumulation shares	Performance %	Share price as at 31 January 2023	p
January 2023	-0.7	C accumulation	106.08
Year to date	-0.7	C income	105.19
1 year	2.7		

12 month performance to December %	2022
LF Ruffer Diversified Return Fund C acc	5.0
UK Bank Rate	1.5

Source: Ruffer LLP, Bloomberg. The comparator benchmark shown in this document is as stated in the fund's prospectus.

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 Diversified Return Fund as at 31 Jan 2023

Asset allocation



Asset allocation	%
Short-dated bonds	29.5
Index-linked gilts	19.3
Non-UK index-linked	12.7
Cash	6.6
Long-dated index-linked gilts	6.1
Gold exposure and gold equities	3.8
Global funds	1.0
Protection strategies and options	0.2
Commodity exposure	5.5
UK equities	5.2
North America equities	5.2
Europe equities	2.7
Japan equities	1.8
Other equities	0.3

Currency allocation	%
Sterling	65.1
US dollar	12.7
Yen	10.8
Australian dollar	5.3
Euro	3.4
Other	2.7

Currency allocation



10 largest equity holdings

Stock	% of fund
BP	2.1
Shell	0.7
Haleon	0.6
Agnico Eagle Mines	0.5
Synchrony Financial	0.5
Unilever	0.4
Fujitsu	0.4
Activision Blizzard	0.4
Cigna	0.4
Sony	0.4

5 largest bond holdings

Stock	% of fund
UK Treasury index-linked 0.125% 2024	8.9
UK Treasury index-linked 2.5% 2024	7.3
US Treasury FRN 31 Oct 2024	5.4
US Treasury FRN 31 Jan 2024	5.0
US Treasury FRN 31 Oct 2023	4.9

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

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.

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 Managed Funds is a UK UCITS. The LF Ruffer Diversified 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 Diversified 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.

Fund size **£1,927.8m**

Fund information

Ongoing Charges Figure (capped)	1.13	
Annual management charge	1.1	
Yield (historic)	0.85	
Minimum investment	£1,000	
Ex dividend dates	15 Mar, 15 Sep	
Pay dates	15 May, 15 Nov	
Dealing frequency	Daily	
Valuation point	12:00	
ISIN	Accumulation GB00BMWLQT53	Income GB00BMWLQS47
SEDOL	BMWLQT5	BMWLQS4
Investment manager	Ruffer LLP	
Auditors	Ernst & Young LLP	
Authorised Corporate Director	Link Fund Solutions	
Depository	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**

Enquiries

Ruffer LLP
80 Victoria Street
London SW1E 5JL

+44 (0)20 7963 8254
rif@ruffer.co.uk
ruffer.co.uk

Fund Managers

Duncan MacInnes

INVESTMENT DIRECTOR

Joined Ruffer in 2012. He graduated from the University of Glasgow School of Law in 2007 and spent four years working at Barclays in Glasgow, London and Singapore. He is a CFA charterholder and co-manager of two of Ruffer's flagship funds.



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.



Fund Specialist

Jasmine Yeo

INVESTMENT MANAGER

Joined Ruffer in 2017, having graduated with a degree from Warwick Business School. She is a member of the CISI, following completion of the CISI Masters in Wealth Management. She has managed private client portfolios and now works with wealth managers and advisors as part of Ruffer's UK wholesale team. She is co-manager of one of Ruffer's flagship funds.



Ruffer LLP

Ruffer LLP manages investments on a discretionary basis for private clients, trusts, charities and pension funds. As at 31 December 2022, assets managed by the Ruffer Group exceeded £26.3bn.

This financial promotion is issued by Ruffer LLP, 80 Victoria Street, London SW1E 5JL. Ruffer LLP is authorised and regulated by the Financial Conduct Authority. © Ruffer LLP 2023

