LF Ruffer Diversified Return Fund

Positive absolute returns with low volatility

Despite ongoing stresses in the US banking system, asset markets collectively shrugged their shoulders in April. According to Deutsche Bank, despite the second largest ever banking failure in the US, it was in fact the least volatile month since the pandemic. It won't surprise that we are not so sanguine.

Banking crises always lead to credit contractions. We are seeing this play out now: National Federation of Independent Business small business credit conditions are approaching GFC levels, whilst both the Fed Beige Book and the Senior Loan Officer Opinion Survey are signalling further declines in credit availability coming down the tracks. What is particularly pernicious today is the additional undermining of trust in the security of deposits. This is where the banking crises of March intersect with our fears of an asset market liquidation. As a reminder, central to the argument was that changes in the size and composition of the Fed's balance sheet would be damaging to asset markets. On the one hand, we have seen an immediate (but supposedly temporary) increase in the size of the Fed's balance sheet. On the other hand, a light has been shone on the relative danger of uninsured banking deposits compared to government backed money market funds. Given the fact that the increased safety of the latter actually comes with a higher interest rate, we expect deposit flight from banks to continue despite continued efforts to reinforce the regulatory system. Not only will this lead to further scrutiny of the increasing levels of taxpayer deposit guarantees, but it will continue to undermine the ability of commercial bank balance sheets to act as a shock-absorber for any distress in financial markets.

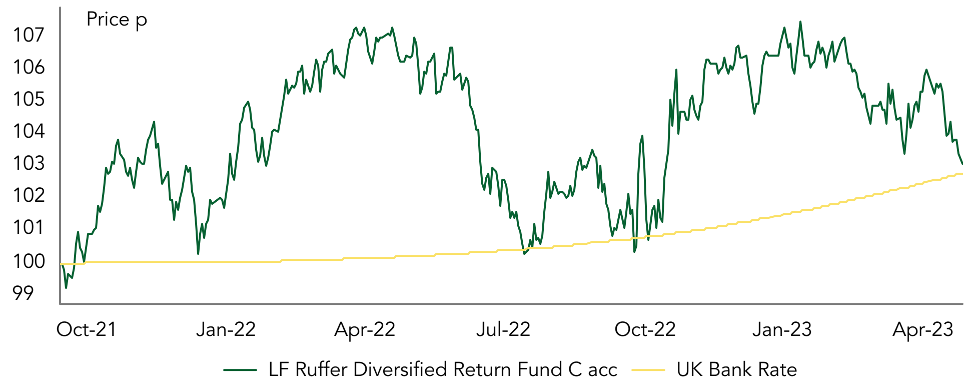
At Ruffer, we always aim to create a portfolio that is robust to multiple future pathways. The fine line between monetary and financial stability is central to how the portfolio is positioned today. If the Federal Reserve prioritises financial stability concerns, continues to expand its balance sheet and sets the scene for interest rate cuts before inflation is wrung out of the system, then we enter the next phase of the inflationary regime. Under this scenario our portfolio allocations to inflation-linked bonds, gold and commodities should get an immediate tailwind. However, if the Federal Reserve continues to focus on bringing inflation down through monetary tightening, then we fear that liquidation risk comes to the fore. If interest rates remain where they are, let alone go higher, and quantitative tightening continues (proving the recent central bank balance sheet expansion to be as temporary as originally claimed), then the painful chokehold of the interest rate squeeze will continue. In this environment, the portfolio is protected by its low equity weight (both gross and net) and potent protections against likely distress in credit markets.

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 since fund launch on 15 September 2021



C accumulation shares	Performance %
April 2023	-1.5
Year to date	-3.4
1 year	-3.1

Share price as at 28 April 2023	**p**
C accumulation	**103.11**
C income	**101.22**

12 month performance to March %	2023
LF Ruffer Diversified Return Fund C acc	-2.0
UK Bank Rate	2.3

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

LF Ruffer Diversified Return Fund as at 28 Apr 2023

Asset allocation

Currency allocation

Asset allocation	%
● Short-dated bonds	34.5
● Cash	15.4
● Non-UK index-linked	9.2
● Long-dated index-linked gilts	6.8
● Gold exposure and gold equities	6.6
● Index-linked gilts	3.1
● Protection strategies and options	-0.3
● Commodity exposure	8.4
● North America equities	5.0
● UK equities	4.0
● Europe equities	2.8
● Japan equities	2.0
● Asia ex-Japan equities	2.0
● Other equities	0.4

Currency allocation	%
● Sterling	71.6
● Yen	15.0
● US dollar	5.2
● Australian dollar	2.8
● Euro	1.9
● Other	3.5

10 largest equity holdings

Stock	% of fund
iShares MSCI EM Asia UCITS ETF	1.1
Shell	0.9
Agnico Eagle Mines	0.8
Bayer AG	0.7
BP	0.5
Mitsubishi Electric	0.5
Unilever	0.5
Alibaba Group ADR	0.5
Taiwan Semiconductor Manufacturing Co	0.4
Sony	0.4

5 largest bond holdings

Stock	% of fund
US Treasury FRN 31 Oct 2024	7.0
US Treasury FRN 31 Jan 2024	6.3
US Treasury 0.625% TIPS 2026	3.9
Japanese govt bonds 0.005% 1 Jun 2024	3.6
Japanese govt bonds 0.005% 1 Apr 2024	3.6

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

Fund size £2,104.9m

Fund information

		%
Ongoing Charges Figure (capped)		1.12
Annual management charge		1.1
Yield (historic)		1.84
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
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 8218
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 March 2023, assets managed by the Ruffer Group exceeded £26.5bn.