LF Ruffer Diversified Return Fund

Positive absolute returns with low volatility

C class June 2023 **Issue 22**

June recorded a further positive month for global equities, and a frustrating one for the portfolio, marking what has been a disappointing six month period in the context of our focus on capital preservation.

Markets have increasingly tried to consign 2022 to history. A bad dream, but no more. The prospect of a recession has led to a belief that rates might come down as quickly as they have risen. Supported by plentiful liquidity, stability has dominated. We have been more worried about the potential for instability. Suffering pain in our protective investments is not new, but we would usually hope that this would be offset by good performance from our growth assets. The path for stability described above, in our opinion, would necessitate continued strength in the real economy. We felt this would largely be predicated on continued recovery from China, supported by both stimulus and a powerful re-opening. This led us to focus our growth assets on both commodities, and equities more geared to the real economy. So far, this has not been the case, commodities have created a further headwind. Equally, whilst our equities have contributed positively, this has not been sufficient to offset the cost of protection.

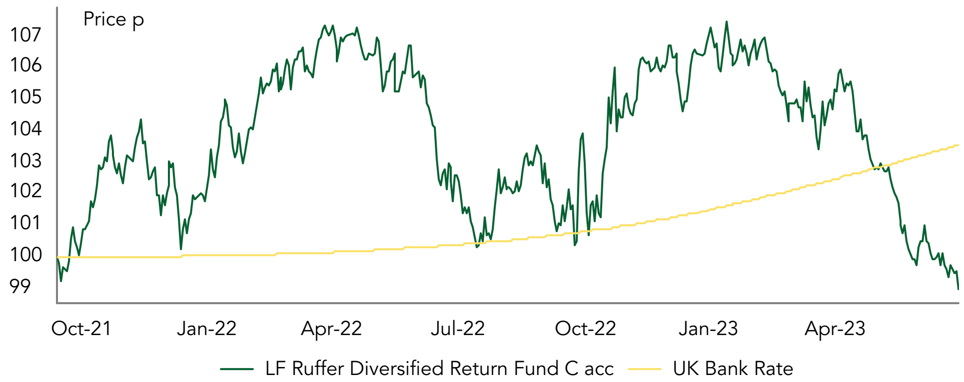
Currently markets are increasingly certain policy makers will successfully be able to bring inflation back to target and will do so without creating any financial instability. The much-fabled soft landing will play out. Meanwhile, with interest rates moving higher than expected, and likely to stay high for longer, the impacts of tighter monetary policy are starting to be felt. This is already having consequences. This will inevitably, and intentionally, slow the economy. Despite this obvious risk, markets remain certain the risks will be contained. Investors are now willing to buy into equities (and indeed corporate credit) despite the fact they now offer a lower return (and higher risk) than cash! We are increasingly taking the other side of this perceived certainty.

The protections in the portfolio are threefold: structural protection against a new regime which is likely to be characterised by rising and more volatile levels of inflation; shorter-term (and powerful) protection against the potential financial instability caused by tighter liquidity and higher interest rates; and protection against the likely recession that will follow. For the moment, investors seem to be growing in confidence that policy makers will be able to successfully navigate the narrow tightrope of stability. Tightening policy sufficiently to maintain monetary (or inflation) stability, without creating financial instability. We are less convinced. Taking a cautious view can be painful, but history tells us that not long after these periods the risks emerge, leading to significant drawdowns in markets.

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 %
June 2023	-1.0
Year to date	-7.3
1 year	-2.7

Share price as at 30 June 2023	**p**
C accumulation	**98.97**
C income	**97.16**

12 month performance to June %	2023
LF Ruffer Diversified Return Fund C acc	-2.7
UK Bank Rate	3.2

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 30 Jun 2023

Asset allocation

Currency allocation

Asset allocation	%
Short-dated bonds	40.2
Non-UK index-linked	13.1
Cash	10.4
Long-dated index-linked gilts	7.8
Gold exposure and gold equities	4.2
Index-linked gilts	3.2
Protection strategies and options	-0.8
Commodity exposure	7.2
North America equities	4.6
UK equities	3.2
Asia ex-Japan equities	2.5
Europe equities	2.3
Japan equities	1.6
Other equities	0.5

Currency allocation	%
Sterling	68.4
Yen	15.2
US dollar	6.9
Australian dollar	4.0
Euro	1.9
Other	3.6

10 largest equity holdings

Stock	% of fund
iShares MSCI EM Asia UCITS ETF	1.2
Alibaba Group ADR	0.7
Agnico Eagle Mines	0.6
Bayer AG	0.6
Mitsubishi Electric	0.6
Taiwan Semiconductor Manufacturing Co	0.5
BP	0.5
Ambev SA	0.5
Unilever	0.5
Cigna	0.4

5 largest bond holdings

Stock	% of fund
US Treasury FRN 31 Oct 2024	7.3
US Treasury FRN 31 Jan 2024	6.6
US Treasury 0.625% TIPS 2026	4.0
US Treasury 0.125% TIPS 2052	3.6
Japanese govt bonds 0.005% 1 Jun 2024	3.5

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

Fund size £2,104.4m

Fund information

		%
Ongoing Charges Figure (capped)		1.12
Annual management charge		1.1
Yield (historic)		1.91
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

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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 May 2023, assets managed by the Ruffer Group exceeded £25.2bn.