

LF Ruffer Diversified Return Fund

Positive absolute returns with low volatility

During July, the fund price fell from 101.75p to 101.56p. This compared with a return on the UK Bank Rate of 0.1%.

In June almost all asset classes posted a negative return in the face of a surprise increase in the US inflation rate (US CPI rose from 8.3% to 8.6%) and the prospect of increased monetary tightening by the US Federal Reserve. In July, risk appetite roared back even as inflation increased again, from 8.6% to 9.1%, and the US Federal Reserve increased interest rates by 75bps for the second month in a row. The fund was broadly flat on the month, its defensive positioning articulated in last month's factsheet holding it back. Underneath the surface, performance contributions from the fund's equity exposure (+1.4%) and UK long-dated index-linked bonds (+1.0%) were offset by the unconventional protections (-1.2%) and gold exposure (-0.4%).

What explains the positive market outturns in a month which, according to Deutsche Bank, saw one of the steepest quarter-on-quarter declines in underlying company earnings in the last decade? We are back in the territory of bad news being good news for equity and bond markets. Over the last few months, investor expectations have shifted from stagflation risk to recession risk and are now starting to re-price the re-establishment of a Fed 'put' – the moment when the US Federal Reserve will abandon its monetary tightening and focus on growth stabilisation which will either directly or indirectly support equity markets. Interest rate futures now price that the central bank will be cutting interest rates by early next year.

How likely is this outcome? Possible, but not likely. We have been through numerous 'unprecedented' events in the last few years. 'Unprecedented' amounts of peace-time fiscal stimulus in 2020 and 2021, combined with 'unprecedented' monetary policy; but it would be truly unprecedented to slow the economy sufficiently to bring down the highest inflation rate for 40 years with an after-inflation policy rate that never goes positive. It would require a much deeper economic slowdown than is implied in 2023 earnings estimates, which have barely budged.

This bear market is not over, and we believe that we are entering its most dangerous phase. Liquidity is being drained from the financial system. Jamie Dannhauser, Ruffer's Economist, covered this in detail in the latest [Green Line](#). The interest rate on US dollar short-dated bonds is now providing a genuine alternative to taking risk. One of the pushbacks to the view that a move lower in equity markets was likely, was the already extremely bearish investor sentiment and positioning. A low-liquidity summer rally, sucking in those who can't afford relative underperformance, should see this box ticked. We have used the last month's moves to reduce direct equity exposure further to try and ensure the portfolio is robust to the risks we see. Capital preservation is at the forefront of our minds.

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.

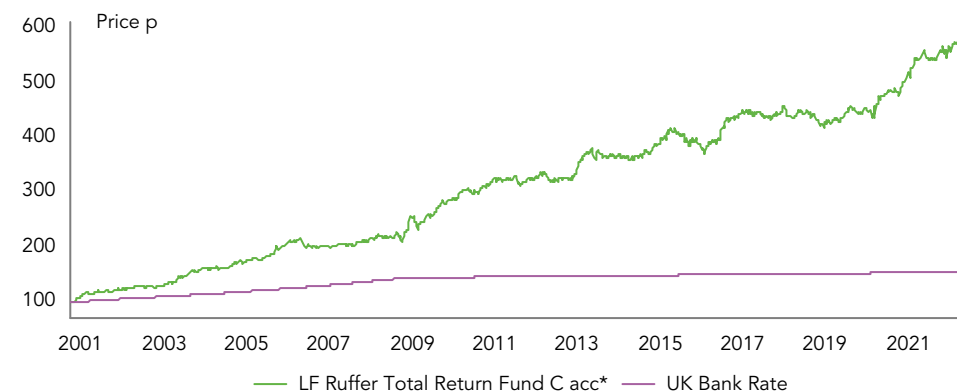


C class July 2022 Issue 11

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 %	Share price as at 29 July 2022	p
July 2022	-0.5	C accumulation	101.56
Year to date	-1.5	C income	101.51
1 year	0.2		
3 years	21.4		
5 years	24.4		
10 years	68.5		

12 month performance to June %	2018	2019	2020	2021	2022
LF Ruffer Total Return Fund C acc*	1.1	-1.5	9.0	13.8	0.5
UK Bank Rate	0.4	0.7	0.6	0.1	0.4

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 29 Jul 2022

Asset allocation



Asset allocation %

Index-linked gilts	27.3
Short-dated bonds	17.7
Cash	12.7
Non-UK index-linked	12.7
Long-dated index-linked gilts	7.1
Protection strategies and options	1.5
Gold exposure and gold equities	1.4
UK equities	7.1
North America equities	6.2
Japan equities	3.6
Europe equities	2.3
Asia ex-Japan equities	0.3

Currency allocation



Currency allocation %

Sterling	66.3
US dollar	16.2
Yen	9.5
Australian dollar	5.4
Euro	2.0
Other	0.6

10 largest equity holdings

Stock	% of fund
BP	2.1
Mitsubishi UFJ Financial Group	1.0
Cigna	0.9
Berkshire Hathaway	0.8
Shell	0.7
Chesapeake Energy	0.6
NatWest Group	0.6
Associated British Foods	0.5
Glencore	0.5
Fujitsu	0.5

5 largest bond holdings

Stock	% of fund
UK Treasury index-linked 2.5% 2024	9.6
UK Treasury index-linked 1.875% 2022	9.5
UK Treasury index-linked 0.125% 2024	4.9
US Treasury FRN 2023	4.3
US Treasury FRN 2024	4.3

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

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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 **£1,270.2m**

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
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	

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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.



Jasmine Yeo

FUND SPECIALIST

Graduated from Warwick Business School with a degree in international business with Spanish, and joined Ruffer's UK private client team in 2017. She became a member of the CISI in 2020, following completion of the Chartered Wealth Manager qualification. She is an investment specialist in Ruffer's UK Wholesale team, working closely with multi-family offices, wealth managers, financial planners and their clients.



Ruffer LLP

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