

LF Ruffer Diversified Return Fund

Positive absolute returns with low volatility

We are pleased to announce that the fund launched earlier this month with the first price being calculated on 16 September. From launch to 30 September the fund's price rose 0.3%, compared with a return on the UK Bank Rate of 0.0%. We are grateful to investors who have helped us launch this new expression of Ruffer's core investment approach.

'Transitory' or not, price rises (aka inflation) are certainly starting to have an impact on both financial markets and everyday life. Amidst pictures of queues at petrol stations reminiscent of the 1970s as well as global concerns over possible shortages and supply chain disruption ahead of the key holiday season, stock and bond markets both lost some of their lustre in September. Bond yields rose as inflation concerns led to talk of tapering and earlier than expected interest rises, though this remains just talk for now. Meanwhile equities, especially growth and tech stocks, fell back, with the Nasdaq down 5.3% in the month, dragging down the broader US market by 4.7%

Although some of the price rises this month were eye-watering, with the oil price up almost 10% (and now +50% so far this year) and natural gas prices in Europe and the UK rising by over 90%, inflation worries were not the only concern for equity markets in September. The likely demise of Chinese property developer Evergrande, said to have over \$330bn of debt and a market value at the month end of only \$7bn, down 80% so far this year, added contagion risks to previous fears of a clampdown by the Chinese government.

Against this somewhat unsettling background, portfolio performance was robust in September, remaining broadly unchanged even as bond and equity markets fell back. Higher bond yields hurt our index-linked bonds during the month, though once again, as happened in Q1 earlier this year, we held interest rate options that offset much of the fall. On the equity side, rising yields were supportive for the banks held in the portfolio and not surprisingly, energy stocks performed strongly with holdings in BP, Equinor and Royal Dutch Shell all up 15-20%.

No doubt investors will be laser-focused on both inflation and the outlook for China. Hint, a clue to the future for both might be gleaned from the Chinese government's edict last week to secure energy supplies 'at all costs'. However, for us the key observation from September is 'balanced' portfolios had their worst month since March 2020, when global markets first felt the full brunt of the covid-19 pandemic. Back then, the 60% equity and 40% conventional bond mix that has been so popular and so successful in recent years fell 5% in a month, this time the US version fell 3.5%. Small beer perhaps after gains averaging 10% for a decade, but a worrying sign nonetheless.

We have long warned higher inflation, or even just inflation volatility, could see a shift in the correlation between equities and bonds. This would merely be a reversion to the normal pattern before the decades of disinflation and falling interest rates since the 1980s. If so, portfolios would no longer be able to rely on rising bond prices (via falling interest rates) to soften the pain of equity market falls. In fact, the opposite could be true with falling bond prices exacerbating future equity market sell-offs. Ruffer portfolios hold inflation-linked bonds and other less conventional protections to guard against this. Last month, at least, this approach worked. We will wait to see if this too was just transitory.

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.

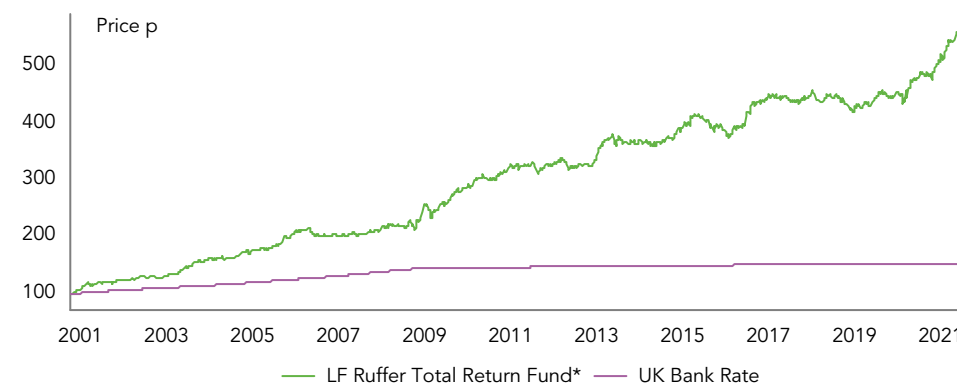


I class September 2021 Issue 1

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.

I accumulation shares*	Performance %	Share price as at 30 September 2021	p
September 2021	0.0	I accumulation	100.35
Year to date	7.5	I income	100.34
1 year	12.8		
3 years	23.5		
5 years	26.4		
10 years	72.9		

12 month performance to September %	2017	2018	2019	2020	2021
LF Ruffer Total Return Fund I acc*	0.5	1.8	1.9	7.5	12.8
UK Bank Rate	0.2	0.5	0.8	0.4	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 30 Sep 2021

Asset allocation



Asset allocation %

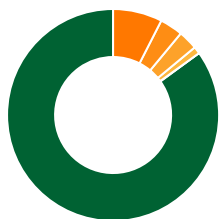
Index-linked gilts	15.7
Long-dated index-linked gilts	11.3
Cash	10.0
Non-UK index-linked	9.6
Gold and gold equities	7.4
Options	2.9

UK equities	16.4
Japan equities	9.5
Europe equities	8.4
North America equities	7.4
Other equities	1.3

Currency allocation %

Sterling	84.8
Gold	7.6
Yen	3.5
US dollar	0.9
Euro	0.2
Other	3.0

Currency allocation



10 largest equity holdings

Stock	% of fund
BP	2.7
Royal Dutch Shell	2.7
iShares Physical Gold	2.6
NatWest Group	2.3
Barclays	2.0
Cigna	1.4
Kinross Gold	1.3
GlaxoSmithKline	1.3
Bristol-Myers Squibb	1.1
American Express	1.0

5 largest bond holdings

Stock	% of fund
UK Treasury index-linked 1.875% 2022	7.2
UK Treasury index-linked 0.125% 2024	6.1
UK Treasury index-linked 0.125% 2068	6.0
UK Treasury index-linked 0.125% 2065	3.9
US Treasury index-linked 0.125% TIPS 2022	2.5

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

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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 **£18.9m**

Fund information

		%
Ongoing Charges Figure (capped)		0.93
Annual management charge		0.90
Yield (historic)		0.00
Minimum investment		£50,000,000
Ex dividend dates		15 Mar, 15 Sep
Pay dates		15 May, 15 Nov
Dealing frequency		Daily
Valuation point		12:00
ISIN	Accumulation GB00BMWQLQW82	Income GB00BMWQLQV75
SEDOL	BMWQLQW8	BMWQLQV7
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 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 August 2021, assets managed by the Ruffer Group exceeded £22.9bn.

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