

# LF Ruffer Diversified Return Fund

Positive absolute returns with low volatility

During August, the fund price rose from 101.71p to 103.56. This compared with a return on the UK Bank Rate of 0.1%.

August commenced with markets continuing to bask in the summer sun, as a softer than expected inflation release fed the narrative that the US economy was passing peak inflation with no signs of weakness in the labour market. This was the 'goldilocks' style environment many investors were longing for, but it appears incompatible with the likely path of monetary policy. We felt this rally would ultimately be self-defeating since rising equity prices (among other measures) are catalysts for looser financial conditions – the very opposite of the tightening the Federal Reserve hopes to enforce on the economy. The party pooper on this occasion was Federal Reserve Chair Jerome Powell, speaking at the annual Jackson Hole economic symposium. In contrast to recent communications, which had given some the hope the Fed was reaching for the pause button, Powell left little doubt they remain resolute in the battle to combat the current period of high inflation. One regional Fed president even noted his satisfaction with the equity market's negative response to Powell's speech – oh, how times have changed!

For investors, this amounted to another difficult month in an already challenging year. Developed market equities fell, whilst bond markets suffered as yields rose sharply. Yield rises were most pronounced in Europe as expectations responded to the advancing energy price crisis and the likelihood of further interest rate rises. Despite the expected rise in inflation, which some forecasters estimate will exceed 20% in the UK, longer term inflation expectations remain anchored to historic averages, creating a headwind for the fund's long-dated, index-linked gilts. This was offset by notable contributions from interest rate payer swaptions, which benefit from rising yields, and our other less conventional protective assets. The fund's equity exposure fared better than wider indices in part due to our tilt towards energy, with BP rising by 10% over the month.

In a world where interest rates are rising and liquidity is being drained from the financial system (the pace of quantitative tightening in the US is doubling from September), our focus is firmly on our primary investment objective of capital preservation. Following a decade where the investment mantra was best summarised by TINA (There is No Alternative) as those seeking returns were forced to absorb ever more risk, investors are now offered a genuine alternative in the form of higher short-term interest rates on cash. We are concerned this will be the catalyst for a reduction in allocations to risk assets, with few areas of safety. Therefore we now have a low weighting to equities, both in absolute terms and relative to our 27 year history, and have bolstered our unconventional protections to defend the portfolio should financial markets fall further. This should not be viewed as a low conviction portfolio, rather one that is well placed to protect from potential turbulence ahead.

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.

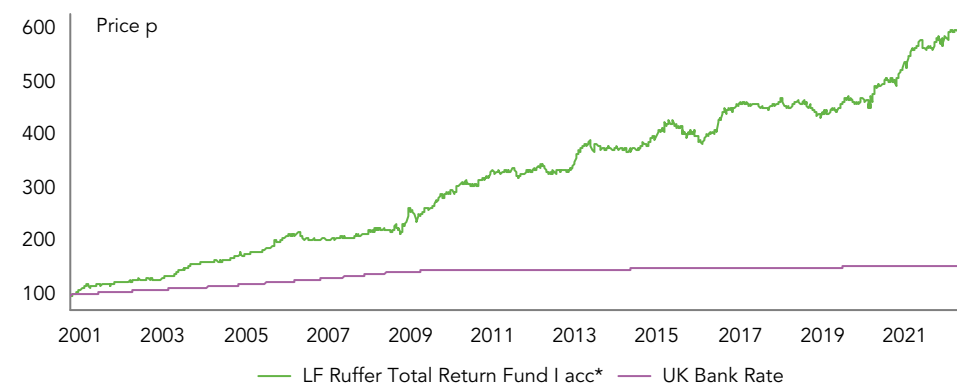


I class August 2022 Issue 12

## 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 31 August 2022	p
August 2022	1.6	I accumulation	103.56
Year to date	0.2	I income	103.40
1 year	1.6		
3 years	21.8		
5 years	27.3		
10 years	72.9		

12 month performance to June %	2018	2019	2020	2021	2022
LF Ruffer Total Return Fund I acc*	1.3	-1.3	9.2	14.0	0.7
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 31 Aug 2022

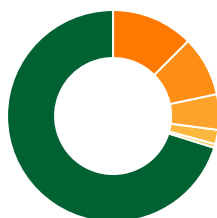
## Asset allocation



### Asset allocation

	%
Index-linked gilts	27.0
Short-dated bonds	26.8
Non-UK index-linked	13.0
Cash	6.8
Long-dated index-linked gilts	6.2
Protection strategies and options	3.1
Gold exposure and gold equities	1.4
North America equities	5.8
UK equities	4.7
Japan equities	3.0
Europe equities	2.1
Other equities	0.1

## Currency allocation



### Currency allocation

	%
Sterling	70.2
US dollar	12.5
Yen	9.1
Australian dollar	5.5
Euro	2.2
Other	0.5

## 10 largest equity holdings

Stock	% of fund
BP	1.8
Mitsubishi UFJ Financial Group	0.9
Cigna	0.7
Shell	0.7
Chesapeake Energy	0.7
Berkshire Hathaway	0.6
Glencore	0.5
Activision Blizzard	0.5
Charles Schwab	0.5
Unilever	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	9.2
US Treasury FRN 2023	6.0
US Treasury FRN 2024	6.0
UK Treasury index-linked 0.125% 2024	5.0

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](http://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 **£1,436.2m**

## 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	

## Dealing line

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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

Ruffer LLP manages investments on a discretionary basis for private clients, trusts, charities and pension funds. As at 31 July 2022, assets managed by the Ruffer Group exceeded £25.9bn.

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