

# LF Ruffer Diversified Return Fund

Positive absolute returns with low volatility

If ever there was a month to dig a little deeper than a cursory glance at the positive returns for both bonds and equities, it was March 2023. We began the month with US Federal Reserve Chairman Jerome Powell reintroducing volatility to the bond market after he noted that the Fed would again consider 50bp rate hikes. This moved bond yields higher for a matter of days before the collapse of Silicon Valley Bank in the US and the rushed acquisition of the long-troubled Credit Suisse by its Swiss counterpart UBS, as investors turned their backs on the weakest of financials. Policymakers have been swift in responding and we have likely survived a moment of acute stress. What has not been solved is the chronic shift of deposits away from bank accounts to higher yielding alternatives and the damaging effect this will pose to financial market liquidity.

The fund's duration assets, through inflation-linked government bonds and gold exposure, delivered positive contributions as yields fell. On the negative side of the ledger, the fund's exposure to commodity assets detracted from performance as uncertainty over the health of the global economy rose. Given the stability of the portfolio through these rapidly shifting sands, we resisted the temptation to make major changes. However, we did increase yen exposure to c 15% to enhance its role as a key protective asset in the portfolio's armoury.

There appears to be a growing dichotomy between the interpretation of recent events by bond and commodity markets compared to equities. The former are more than hinting that economic conditions are soon to deteriorate, whilst the latter is basking in another duration led rally catalysed by the fall in bond yields. We do not believe that both views can be held simultaneously for long. Our issue with the equity market's muscle memory is that given policymaker's battle with persistent inflation, you cannot have falling rates without a recession taking the heat out of the economy. We understand the logic that a lower discount rate makes future cash flows more valuable in the present, but we doubt that future cash flows will be unblemished in a tougher economic backdrop. Given this viewpoint, we continue to operate with a relatively modest exposure to risk assets (c 30% including equities and commodity exposure).

In 2022 investors were fixated on the rate of change of interest rates, however, we do not think financial markets are out of the woods even if policymakers appear to be reaching the final stages of their current rate hiking cycle. We operate in a financial system that has become accustomed to ever lower interest rates over the past four decades. The obvious outcome in such an environment is for leverage to increase – and increase it has. Whilst interest rates might have risen sharply over the last 12 months, the impact is not always felt instantaneously. As Warren Buffett once said, “only when the tide goes out do you learn who has been swimming naked”. A repricing of the cost of capital has already taken out the giddiest parts of the market but the longer rates are held at current levels, the further the pain is likely to spread.

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.

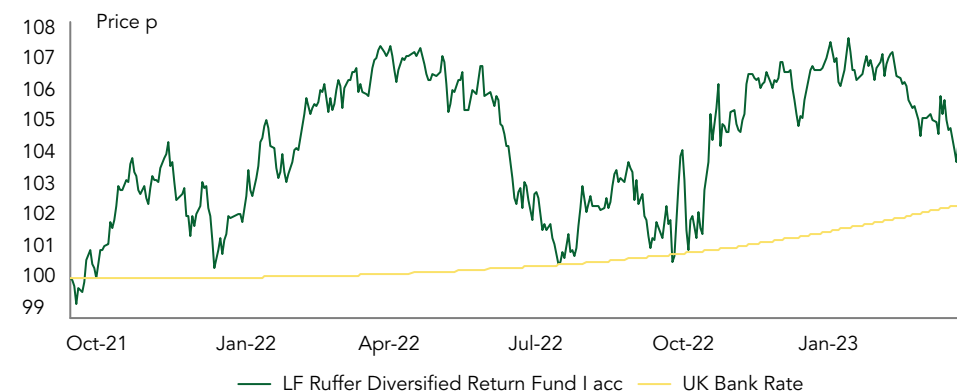


I class March 2023 Issue 19

## 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



I accumulation shares	Performance %	Share price as at 31 March 2023	p
March 2023	0.4	I accumulation	105.00
Year to date	-1.9	I income	102.78
1 year	-2.0		

12 month performance to March %	2023
LF Ruffer Diversified Return Fund I acc	-1.9
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 31 Mar 2023

## Asset allocation



## Asset allocation %

Short-dated bonds	36.9
Non-UK index-linked	9.2
Cash	8.2
Long-dated index-linked gilts	6.6
Gold exposure and gold equities	6.4
Index-linked gilts	3.1
Protection strategies and options	-0.2
Commodity exposure	8.5
North America equities	6.6
UK equities	5.9
Europe equities	3.4
Asia ex-Japan equities	2.8
Japan equities	2.2
Other equities	0.4

## Currency allocation %

Sterling	61.3
Yen	15.7
US dollar	9.7
Australian dollar	5.0
Euro	4.5
Other	3.8

## Currency allocation



## 10 largest equity holdings

Stock	% of fund
iShares MSCI EM Asia UCITS ETF	1.8
Shell	1.6
BP	1.4
Agnico Eagle Mines	1.1
Bayer AG	0.7
Haleon	0.6
Alibaba Group ADR	0.6
Mitsubishi Electric	0.5
Taiwan Semiconductor Manufacturing Co	0.5
Unilever	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	3.7
Japanese govt bonds 0.005% 1 Apr 2024	3.7

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

Fund size £2,065.7m

## Fund information

Ongoing Charges Figure (capped)	0.92
Annual management charge	0.90
Yield (historic)	1.96
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: GB00BMWLQW82 Income: GB00BMWLQV75
SEDOL	BMWLQW8 BMWLQV7
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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## Enquiries

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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

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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.

