

LF Ruffer Total Return Fund

Positive absolute returns with low volatility



I class May 2019 Issue 197

During May, the fund price fell by 0.8%. This compared with a decline of 3.0% in the FTSE All-Share Index and rise of 2.7% in the FTSE Government All Stocks Index (all figures total returns in sterling).

After four months of a strong recovery, the month of May fulfilled its seasonal tradition as equity markets declined across the globe. There was no shortage of reasons for investors to take fright: escalating trade tensions with China, presidential tweets on Iran and Mexico, potential anti-trust probes into tech stocks and a resolutely backward sloping yield curve that may or may not foretell a recession to name just a few. So the main global markets fell about 6% with emerging markets faring somewhat worse.

Meanwhile in the UK, if anything sentiment declined even further in May. European elections, unplanned and unwanted, saw support for the main political parties eviscerated as voters plumped for either the Brexit Party or those supporting a second referendum in almost equal numbers. This merely confirmed that the country remains entirely divided on the issue. Prime Minister May's resignation hardly helped, with sterling falling as her potential successors compete to see who can shout loudest for a hard exit. Meanwhile, the spectre of a general election has loomed back into view, bringing with it fears of a Corbyn government and what that might mean for domestic investors and business.

Unsurprisingly, it was 'fear' assets that fared best in the month. Falling bond yields boosted our index-linked bonds, with positive contributions also coming from our credit protection and gold. Among our equities, trimmed back to about 37% earlier in the month, oil and industrials were hit hardest, giving back some of the previous quarter's gains.

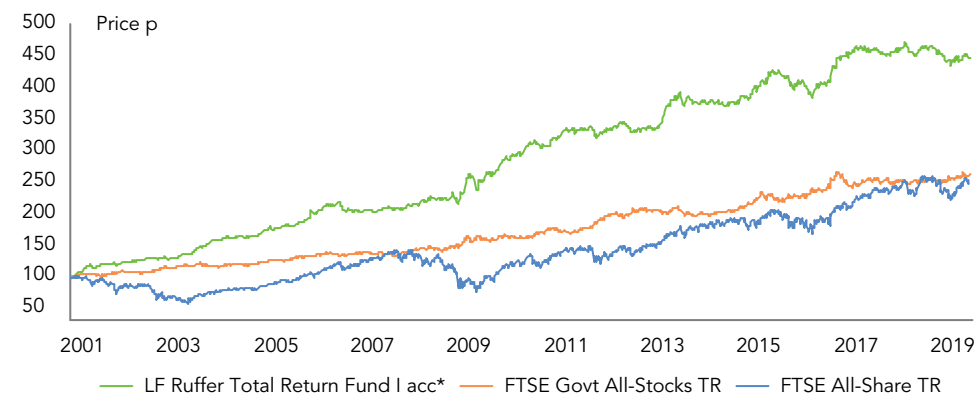
All in all a veritable litany of woes to support the old adage of 'sell in May and go away' despite the ever present supporting chorus of the US Federal Reserve behind asset prices. However our concern remains that the problems go rather deeper than just domestic politics and presidential tweets. 'Free money' (near zero interest rates) and ever increasing debts have distorted markets. Like some 21st century fairy tale, the proportion of US IPOs for loss-making companies has now exceeded the record set in the tech bubble. When debt and money have no cost, capital misallocation always ensues, and if the punchbowl is not removed, inflation follows. Increasingly we see shades of 1999-2000 in stock markets, not just in 'unicorn' IPOs but also in the matching record levels of abhorrence of value compared to profitless growth. Meanwhile global politics isn't changing – it has changed, we just haven't seen the results yet. Against all this our index-linked bonds, gold and credit protections stand guard. Are we too gloomy? Perhaps, and our equities are an insurance against this. But our role is to hold positions on the contrary side of manias – the assets that investors panic into when bubbles burst – and this increasingly looks and feels like a bubble to us.

The fund's prospectus and key investor information documents are provided in English and available on request or from www.ruffer.co.uk. Please note that LF Ruffer Investment Funds is a UK UCITS. The LF Ruffer Total 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 Total 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.

Investment objective

The fund aims to achieve low volatility, positive returns from an actively managed portfolio of different asset classes, including equities, bonds and currencies. Capital invested is at risk and there is no guarantee that a positive return will be delivered over any one or a number of twelve-month periods. The fund may also invest in collective investment schemes, cash, money market instruments, other transferable securities and derivatives and forward transactions. Pervading this objective is a fundamental philosophy of capital preservation.

Performance since fund launch on 29 September 2000



Performance %	May 2019	Year to date	1 year	3 years	5 years	10 years
I accumulation shares	-0.8	3.1	-3.5	10.5	19.0	70.1
Percentage growth (I acc)	%		Share price as at 31 May 2019			
31 Mar 2018 – 31 Mar 2019	-0.6		I accumulation			
31 Mar 2017 – 31 Mar 2018	-1.2		I income			
31 Mar 2016 – 31 Mar 2017	13.4					
31 Mar 2015 – 31 Mar 2016	-4.1					
31 Mar 2014 – 31 Mar 2015	12.3					

Source: Ruffer LLP, FTSE International (FTSE)†. * This share class has performance data calculated prior to the inception date, 3 Nov 2004. This is based upon a simulated/extended track record, using the track record of LF Ruffer Total Return Fund O acc.

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 Total Return Fund as at 31 May 2019

Asset allocation



Currency allocation



Asset allocation %

Long-dated index-linked gilts	17.0
Non-UK index-linked	15.3
Short-dated bonds	10.6
Illiquid strategies and options	7.0
Gold and gold equities	6.6
Index-linked gilts	2.2
Cash	2.2

Japan equities	11.0
North America equities	10.7
UK equities	8.7
Europe equities	5.1
Asia ex-Japan equities	3.4

Currency allocation %

Sterling	72.7
Yen	8.9
Gold	6.6
US dollar	4.3
Euro	3.7
Other	3.8

10 largest of 59 equity holdings*

Stock	% of fund
Walt Disney Company	3.1
Tesco	2.1
Vivendi	1.8
Sony	1.5
Sumitomo Mitsui Financial Group	1.5
Cigna Corporation	1.3
ExxonMobil	1.3
Mitsubishi UFJ Financial	1.3
Mitsubishi Electric	1.3
DowDuPont	1.1

5 largest of 16 bond holdings

Stock	% of fund
UK Treasury index-linked 0.125% 2068	5.5
US Treasury TIPS 1.25% 2020	4.8
UK Treasury index-linked 1.25% 2055	4.6
US Treasury 1.75% TIPS 2019	3.6
US Treasury 2.0% TIPS 2020	3.5

*Excludes holdings in pooled funds
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.

Fund size **£3,307.8m**

Fund information

Ongoing Charges Figure	1.02
Annual management charge	1.00
Maximum initial charge	5.0
Yield	1.45
Minimum investment	£30m
Ex dividend dates	15 Mar, 15 Sep
Pay dates	15 May, 15 Nov
Dealing	Weekly forward, every Wednesday where this is a business day Plus the last business day of the month
Cut off	10am on Wednesday (where it is a business day) and the last business day of the month
ISIN	Accumulation GB00B03JB001 Income GB00B03J9Y05
SEDOL	B03JB00 B03J9Y0
Investment adviser	Ruffer LLP
ACD	Link Fund Solutions Limited
Depository	The Bank of New York Mellon (International) Limited
Auditors	Ernst & Young LLP
Structure	Sub-fund of LF Ruffer Investment Funds (OEIC) UK domiciled UCITS Eligible for ISAs

Dealing line **0345 601 9610**

Fund Managers

Steve Russell

INVESTMENT DIRECTOR

Graduated from Oxford in PPE and started work as an equity analyst at Confederation Life in 1987, progressing to Head of Equities. In 1999 he moved to HSBC Investment Bank as Head of UK and European Equity Strategy, before joining Ruffer in 2003.



David Ballance

INVESTMENT DIRECTOR

Previously International Equities Head at Rothschild Private Management, he graduated from Oxford and was a Senior Investment Manager at Allied Dunbar, before moving to Threadneedle as Head of European Equities. He joined Ruffer in 2006.



Ruffer LLP

Ruffer LLP manages investments on a discretionary basis for private clients, trusts, charities and pension funds. As at 30 April 2019, assets managed by the Ruffer Group exceeded £20.9bn.

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