

LF Ruffer Total Return Fund

Positive absolute returns with low volatility



During July, the fund price rose by 1.2%. This compared with a fall of 3.6% in the FTSE All-Share Index and an increase of 0.4% in the FTSE Govt All Stocks Index (all figures total returns in sterling).

The political, economic, and societal crises rumble on. We are past the acute phase, but sticking plasters mask the extent of any chronic damage. However, Sleeping Beauty awaking from her slumber, and perusing a copy of the Financial Times, might ask what all the fuss is about? Many markets have fully recovered. US stocks, sovereign bonds and investment grade credit are all now up on the year.

Unsurprisingly, this has led to discussion of whether or not there is a ‘disconnection’ between the stock market and the economy. Bulls would say the market has been rational through this period, as it draws a clear distinction between the best and the worst companies. Companies with pristine balance sheets are at all time highs, those with weak balance sheets remain in the doldrums. Furthermore, the winning stocks are the ones which have benefitted from lockdown, the digital economy leaders and the predictable or subscription business models like Amazon, Peloton or Ocado (our biggest individual winner year to date). But we must consider what this is telling us.

All this implies that investors are certain there will be no return to perceived normality. If the market and the economy are going to come roaring back to normal in a ‘v’ recovery, it’s unlikely to be Clorox (who make sanitiser) or Zoom who benefit most.

We think if you want to play economic recovery, these are precisely the wrong sort of stocks to be in. These companies have become the new defensive assets – where investors go to feel safe. They have been highly correlated with bonds and gold. So for our equities, we are focusing more on recovery – we want to be in Walt Disney, who can re-open their theme parks, or Vinci, who operate French toll roads.

Remember that, if GDP growth picks up, the valuation premium granted to secure growth stocks becomes unwarranted. If GDP growth does not pick up, then the economy is stuck in an extended slump and equities are probably the wrong asset class entirely. The latter scenario is where our portfolio protections would come into play – and we are beginning to dial these back up.

Meanwhile, the most important driver of markets in July was the emergence of US dollar weakness. The dollar index weakened by 4%, providing some support to reflation and recovery. The US has converged with the rest of the world at the zero lower bound and Chairman Powell has confirmed they are ‘not even thinking about thinking about raising rates’.

So perhaps it is not surprising that towards the end of the month gold soared to an all-time high. Silver posted its strongest month on record. After adding to our precious metal positions in March, these have been big contributors to our portfolio over the last few months (adding 1.5% in July alone). The LF Ruffer Gold Fund is up 74% for 2020. We have trimmed these equities a little, but continue to run a large exposure at around 10% of the portfolio.

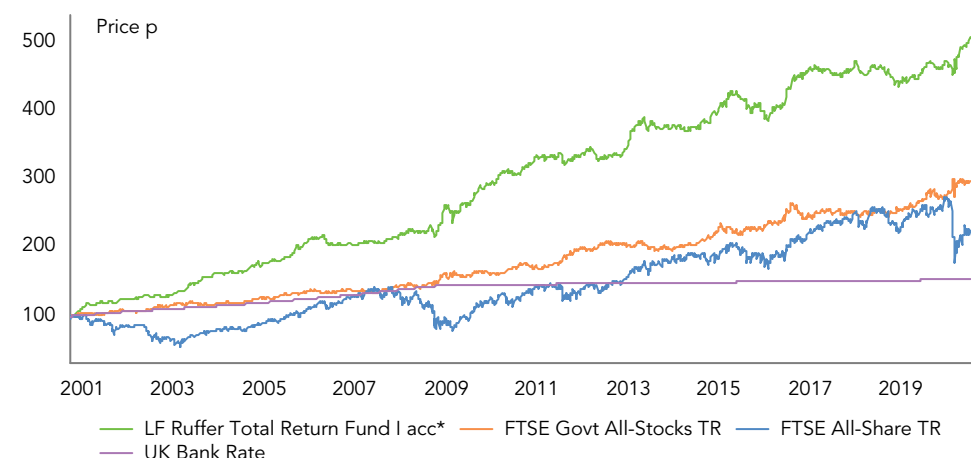
Our shareholder webinar is on 17 September. Please email events@ruffer.co.uk for details.

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 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 %	July 2020	Year to date	1 year	3 years	5 years	10 years
I accumulation shares	1.2	6.8	8.3	11.4	20.7	64.5
Percentage growth (I acc)	%		Share price as at 31 July 2020			
30 Jun 2019 – 30 Jun 2020	9.2		I accumulation			
30 Jun 2018 – 30 Jun 2019	-1.3		I income			
30 Jun 2017 – 30 Jun 2018	1.3					
30 Jun 2016 – 30 Jun 2017	8.9					
30 Jun 2015 – 30 Jun 2016	0.0					

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 Jul 2020

Asset allocation



Asset allocation

	%
Non-UK index-linked	21.4
Long-dated index-linked gilts	11.5
Gold and gold equities	10.5
Cash	10.4
Illiquid strategies and options	9.8
Short-dated bonds	6.4
Index-linked gilts	1.9

Currency allocation



Currency allocation

	%
Sterling	75.3
Gold	10.8
US dollar	7.1
Yen	3.8
Euro	0.3
Other	2.7

10 largest equity holdings*

Stock	% of fund
Lloyds Banking Group	1.8
iShares Physical Gold	1.8
Kinross Gold	1.6
Wheaton Precious Metals	1.1
Fujitsu	1.0
ArcelorMittal	1.0
Tesco	0.9
Newmont Mining	0.9
Mitsubishi Electric	0.9
Royal Bank of Scotland	0.9

5 largest bond holdings

Stock	% of fund
UK Treasury index-linked 0.125% 2068	4.7
US Treasury 0.875% TIPS 2029	3.3
UK Treasury index-linked 1.25% 2055	3.2
UK Treasury 1.5% 2021	3.0
US Treasury 0.25% TIPS 2029	2.9

*Excludes holdings in pooled funds
Source: Ruffer LLP.
Pie chart totals may not equal 100 due to rounding.

Fund size £3,337.9m

Fund information

Ongoing Charges Figure	1.02
Annual management charge	1.00
Maximum initial charge	5.0
Yield	1.39
Minimum investment	£25m
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

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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.



Matt Smith

INVESTMENT DIRECTOR
Joined Ruffer in 2011 after graduating from Edinburgh University with a first class honours degree in history and German. He worked as an equity analyst in Hong Kong before taking up a role in Ruffer's institutional investment team. He was made a manager of the Total Return Fund in 2019.



Alexander Chartres

INVESTMENT DIRECTOR
Joined Ruffer in 2010 after graduating from Newcastle University with a first class honours degree in history and politics. He specialises in geopolitics and its investment implications, with a particular focus on European and Great Power politics.



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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.

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