

LF Ruffer Total Return Fund

Positive absolute returns with low volatility



I class November 2021 Issue 227

During November the fund price fell 1.4%. This compared with a fall of 2.2% in the FTSE All-Share Index and a rise of 3.0% in the FTSE Govt All Stocks Index (all figures are total returns in sterling).

In an action-packed November, perhaps the most meaningful moment came on its final afternoon. In his testimony to the Senate Banking Committee, the Chair of the Federal Reserve, Jerome Powell, admitted that inflation will linger and that it was ‘time to retire the word transitory’. This marks the end of the back-and-forth narrative that has dominated the investment debate for the past six months. It also provided a rubber-stamp to a shift that was already underway. Short-dated interest rate markets had already begun to price in an end to limitless central bank accommodation.

This shift is a material change and marks the beginning of a new market dynamic. We have moved from a question of whether inflation is transitory to whether central banks have the willingness and the ability to bring this lingering, sticky inflation back down. If the necessary willingness exists, then we are entering a much more difficult backdrop for markets. The tailwind of gargantuan liquidity injections, which have powered them higher, will now become a headwind.

Alongside liquidity, risk assets have clearly also benefitted from improving economic fundamentals. The Atlanta Fed GDP Nowcast estimates that real GDP for Q4 in the US will be above 8%. Coupled with inflation potentially annualising at 6% for the quarter, this gives US quarterly nominal GDP of close to 14%. These powerful economic fundamentals put pressure on officials to dial down stimulus.

The combination of strong economic fundamentals and a need to tackle inflation will see central banks try to slow price rises through tighter financial conditions. This makes equity and credit markets as vulnerable as they have been since the market falls of March 2020. We have been preparing for this eventuality. At the end of October, we increased our allocation to the credit protection strategies that worked so well in Q1 2020.

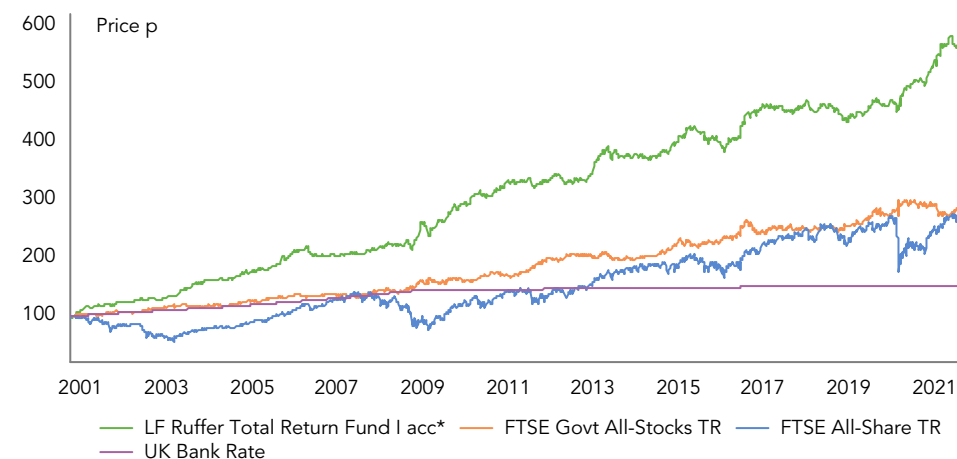
On top of this, we added to equity option protection and deliberately pared back the fund’s equity weight to just under 40%. If inflation does not react as central banks hope and they have to go harder with their liquidity withdrawal, we are confident we have the protections in place to withstand the likely equity market tantrum.

The bigger question is perhaps whether inflation will be able to be brought back to target or is the genie well and truly out the bottle. For this eventuality, the longest-dated inflation linked bonds remain primed. We upped our weighting to the longest-dated issues in the UK to 15% and added to the new 2073 index-linked bond. It is noteworthy that these bonds rose just under 10% during the month. The knee-jerk reaction to the omicron variant was disinflationary. We are not so sure. The pandemic experience tells us that the inflationary disruption to supply outweighs the deflationary hit to demand. Mr Powell and his colleagues will be well aware of this.

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



I accumulation shares	Performance %	Share price as at 30 November 2021	p
November 2021	-1.4	I accumulation	582.80
Year to date	8.8	I income	372.48
1 year	10.9		
3 years	30.5		
5 years	27.4		
10 years	71.8		

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
FTSE Govt All-Stocks TR	-3.6	0.6	13.4	3.4	-6.8
FTSE All-Share TR	11.9	5.9	2.7	-16.6	27.9
UK Bank Rate	0.2	0.5	0.8	0.4	0.1

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.

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.

LF Ruffer Total Return Fund as at 30 Nov 2021

Asset allocation



Asset allocation %

● Non-UK index-linked	18.2
● Long-dated index-linked gilts	14.5
● Short-dated bonds	6.9
● Illiquid strategies and options	6.1
● Gold and gold equities	5.9
● Cash	4.1
● Index-linked gilts	4.0
● UK equities	16.9
● North America equities	8.4
● Europe equities	7.1
● Japan equities	6.5
● Asia ex-Japan equities	0.1
● Other equities	1.3

Currency allocation %

● Sterling	83.1
● Gold	6.0
● Yen	5.8
● Euro	0.5
● US dollar	0.4
● Other	4.2

Currency allocation



10 largest equity holdings*

Stock	% of fund
Lloyds Banking Group	2.6
BP	2.5
NatWest Group	1.7
Royal Dutch Shell	1.6
UniCredit	1.3
Kinross Gold	1.3
Mitsubishi UFJ Financial Group	1.2
Cigna	1.2
Bristol-Myers Squibb	1.1
GlaxoSmithKline	1.0

5 largest bond holdings

Stock	% of fund
US Treasury FRN 2023	6.1
UK Treasury index-linked 0.125% 2065	5.1
UK Treasury 0.125% 2023	4.9
UK Treasury index-linked 0.125% 2068	4.9
US Treasury 0.125% TIPS 2022	4.3

*Excludes holdings in pooled funds

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 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.

Fund size £4,038m

Fund information

	%
Ongoing Charges Figure	1.01
Annual management charge	1.00
Maximum initial charge	5.0
Yield	1.17
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

	Accumulation	Income
ISIN	GB00B03JB001	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

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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

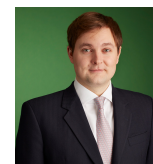
Joined Ruffer in 2011 after graduating from Edinburgh University with a first class honours degree in history and German. He worked as an equity analyst in Hong Kong before taking up a role in Ruffer's institutional investment team. He has co-managed the LF Ruffer Total Return Fund since 2019.



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.



Ruffer LLP

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