

LF Ruffer Total Return Fund

Positive absolute returns with low volatility

January was an extremely strong month for almost all asset classes – the best start to the year for US and European equity markets since 2019 and 2015 respectively. Bonds rallied strongly as well. Indeed, the only major asset that did not rise in January was oil.

What drove such a strong month? The answer lies in the market’s expectations of future events and how they have changed since October. Three factors matter most: firstly, a more emollient tone from the Federal Reserve in the US. As inflation and economic data has softened, and the Federal Reserve has reflected this by slowing the pace of interest rate hikes, the market has moved quickly to rule out the possibility of the US being driven into a significant recession.

Secondly, the warm winter in Europe has allowed energy prices to fall dramatically (European gas prices have now fallen 85% from their peak in August) and thus eliminate the concerns over European stagflation. And finally, the chaotic and rapid Chinese reopening has driven up market expectations of global economic growth in 2023, particularly in those spots where it was weakest such as European manufacturing and Chinese real estate.

All this contributed to a rapid reduction in fears of possible ‘bad outcomes’ for the market, and this has been reflected in a massive 50% decline in equity volatility and a 40% decline in bond volatility since October, accelerating in January and supporting a huge increase in risk-taking in the financial system. All the assets which performed worst last year have performed best so far this year, from cryptocurrencies to the 60/40 balanced portfolio.

The fund’s risk assets have participated in this rally, but the protection assets have almost entirely cancelled that out. Ultimately, we don’t think the major asset classes have repriced sufficiently to reflect a (US) risk-free rate of 4.5% or higher, meaning that we see few good risk-reward opportunities. The market is salivating at the prospect of Federal Reserve interest rate cuts beginning in the summer; it might be right, but the rally means that it will now be painful if the cuts aren’t delivered. We remain defensively positioned and think it prudent to watch proceedings from the sidelines: our focus is on balancing the portfolio to make sure it retains its ability to protect capital in the drawdown that we expect will be visible later in the year. Better to live to fight another day!

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.

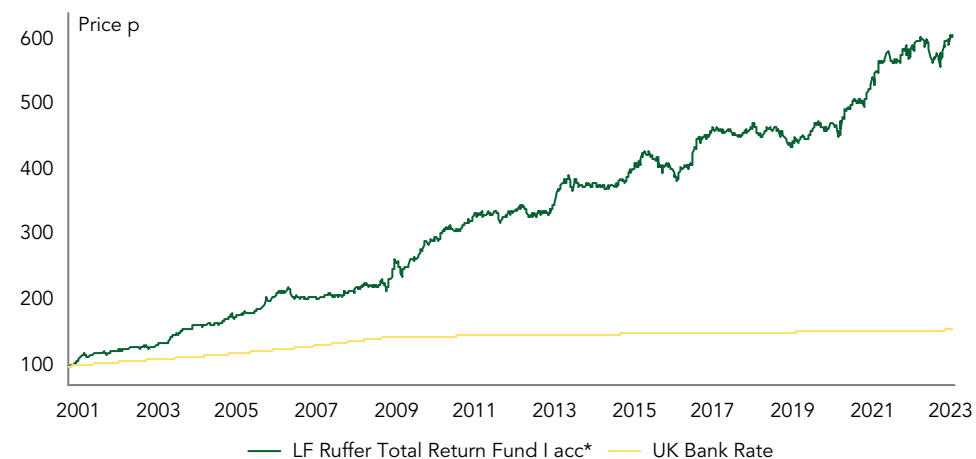


I class January 2023 Issue 241

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 twelve-month period.

Performance since fund launch on 29 September 2000



I accumulation shares	Performance %	Share price as at 31 January 2023	p
January 2023	0.2	I accumulation	611.90
Year to date	0.2	I income	381.41
1 year	3.8	H accumulation	609.48
3 years	30.0	H income	380.98
5 years	29.9		
10 years	65.0		

12 month performance to December %	2018	2019	2020	2021	2022
LF Ruffer Total Return Fund I acc*	-6.3	8.6	12.1	9.1	4.5
UK Bank Rate	0.6	0.8	0.2	0.1	1.5

Source: Ruffer LLP, Bloomberg. The comparator benchmark shown in this document is as stated in the fund’s prospectus. * 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 31 Jan 2023

Asset allocation



Asset allocation	%
Short-dated bonds	35.5
Cash	11.6
Non-UK index-linked	10.8
Index-linked gilts	8.8
Long-dated index-linked gilts	6.5
Gold exposure and gold equities	4.4
Global funds	0.3
Protection strategies and options	0.1
UK equities	6.5
Commodity exposure	5.7
Europe equities	3.9
North America equities	3.5
Japan equities	1.2
Asia ex-Japan equities	1.0
Other equities	0.3

Currency allocation	%
Sterling	62.5
US dollar	13.9
Yen	10.1
Australian dollar	6.3
Euro	3.3
Other	3.9

Currency allocation



10 largest equity holdings*

Stock	% of fund
BP	2.5
TSMC	0.7
Bayer	0.5
Royal Vopak	0.4
Coty	0.3
Ambev SA	0.3
Amazon	0.3
Cigna	0.3
EXOR	0.3
Federated Hermes	0.3

5 largest bond holdings

Stock	% of fund
US Treasury FRN 31 Jan 2024	8.6
US Treasury FRN 31 Jul 2024	8.4
UK Treasury index-linked 2.5% 2024	5.1
US Treasury 0.625% TIPS 2023	4.4
US Treasury FRN 31 Oct 2024	4.2

*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.

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 £3,470.9m

Fund information

	%
Ongoing Charges Figure	1.02
Annual management charge	1.00
Maximum initial charge	5.0
Yield	2.39
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

	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

Dealing line 0345 601 9610

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Fund Managers

Steve Russell

INVESTMENT DIRECTOR

Graduated from the University of 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. He is co-manager of two of Ruffer's flagship funds.

Matt Smith

INVESTMENT DIRECTOR

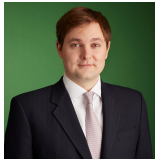
Joined Ruffer in 2011 after graduating from the University of Edinburgh with a first class honours degree in history and German. He spent 2015 seconded to Ruffer's Hong Kong office as an equity analyst, and is a fellow of the CISI. He co-manages two of Ruffer's flagship funds.



Alexander Chartres

INVESTMENT DIRECTOR

Joined Ruffer in 2010 after graduating from Newcastle University with a first class honours degree in history and politics. He is a member of the CISI and co-manages two of Ruffer's flagship funds.



Ruffer LLP

Ruffer LLP manages investments on a discretionary basis for private clients, trusts, charities and pension funds. As at 31 December 2022, assets managed by the Ruffer Group exceeded £26.3bn.

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