LF Ruffer Total Return Fund

Positive absolute returns with low volatility

I class March 2023 **Issue 243**

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.

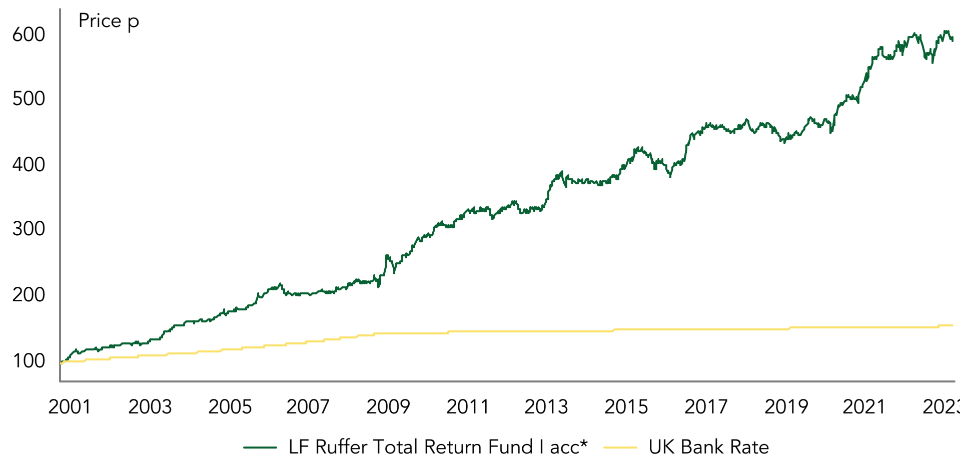
There appears to be a growing dichotomy between the interpretation of recent events by bond and commodity markets compared to equities. The former are more than hinting that economic conditions are soon to deteriorate, whilst the latter is basking in another duration led rally catalysed by the fall in 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.

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 %
March 2023	0.2
Year to date	-1.0
1 year	-0.6
3 years	27.4
5 years	31.9
10 years	57.5

Share price as at 31 March 2023	p
I accumulation	**604.29**
I income	**371.74**
H accumulation	**601.80**
H income	**371.25**

12 month performance to March %	2019	2020	2021	2022	2023
LF Ruffer Total Return Fund I acc*	-0.6	4.2	20.5	6.3	-0.6
UK Bank Rate	0.7	0.7	0.1	0.2	2.3

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 Mar 2023

Asset allocation

Currency allocation

Asset allocation	%
Short-dated bonds	24.6
Non-UK index-linked	11.0
Cash	10.3
Index-linked gilts	7.9
Long-dated index-linked gilts	7.7
Gold exposure and gold equities	7.1
Protection strategies and options	-0.3
Commodity exposure	8.9
UK equities	7.6
North America equities	5.2
Europe equities	4.3
Asia ex-Japan equities	3.6
Japan equities	1.5
Other equities	0.4

Currency allocation	%
Sterling	64.3
Yen	15.8
Australian dollar	6.1
US dollar	5.7
Euro	2.2
Other	5.9

10 largest equity holdings*

Stock	% of fund
BP	1.9
Taiwan Semiconductor Manufacturing Co	1.2
Shell	1.2
iShares MSCI China A UCITS ETF	1.0
Bayer AG	0.7
Alibaba Group ADR	0.6
Royal Vopak	0.5
Alibaba Group Holding	0.5
Coty	0.4
Ambev SA	0.4

5 largest bond holdings

Stock	% of fund
Japanese govt bonds 0.005% 1 Jun 2024	4.8
Japanese govt bonds 0.005% 1 Apr 2024	4.8
US Treasury FRN 31 Jan 2024	4.8
Japanese govt bonds 0.005% 1 Jul 2024	4.6
US Treasury 0.625% TIPS 2023	4.5

*Excludes holdings in Ruffer funds

Source: Ruffer LLP.

Pie chart totals may not equal 100 due to rounding.

Fund size £3,393m

Fund information

		%
Ongoing Charges Figure		1.02
Annual management charge		1.00
Maximum initial charge		5.0
Yield		2.80
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 28 February 2023, assets managed by the Ruffer Group exceeded £26.2bn.

DYNAMIC PLANNER PROFILED 4

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