

LF Ruffer Total Return Fund

Positive absolute returns with low volatility



Class October 2021 Issue 226

During October, the fund price rose by 2.6%. This compared with a rise of 1.8% in the FTSE All-Share index and a rise of 2.2% in the FTSE Govt All Stocks index (all figures total returns in sterling).

The last two months represent a good outcome for performance – we held our own in September as equity and bond markets fell in tandem, and then captured the bounce in October. Performance in October was driven by inflation-focused assets – particularly gold, energy companies and inflation-linked bonds.

The policy landscape is shifting. In the last week of October there was a whiff of panic amongst fixed income investors. Short yields rose sharply as fears mounted that central bankers are behind the curve in tackling inflation. This led to some extraordinary moves. The Reserve Bank of Australia was forced to abandon its policy of yield curve control and the Bank of Canada stopped its quantitative easing programme. The Bank of England now seems likely to raise rates, the Fed has dropped the word ‘transitory’ from its narrative and is likely to taper its \$120bn monthly asset purchase scheme. Until recently, the sure message was that inflation would wash out and no action was required.

In other markets there is broad insouciance on inflation, and while inflation assets have performed well, so has almost everything else. According to the Bank of America Investor Survey a record number of portfolio managers are bearish on bonds, but the volume of renewables and infrastructure issuance would suggest they still love bond proxies. The gold price is down 5% year to date, the US 10-year yield is still only at 1.5% and the S&P 500 is trading at a 21x P/E multiple. This all suggests that markets are comfortable with inflation reverting lower relatively soon.

While Central Bank credibility is being threatened at the short end, perversely it seems that it is strengthening at the long-end of the yield curve. The expectation of near-term tightening is anchoring longer-term inflation expectations and long-term bond yields. Essentially the market is saying that despite lower credibility on their recent actions, Central Banks have the willpower and means to tame inflation. This emphasises the power and complacency of the belief in central bank omnipotence and underscores just how shocking it might be were that to change. Citigroup strategist Matt King summarised: ‘Expect tantrums in risk [assets] if central banks respond to inflation – and tantrums in bonds if they don’t.’ Monetary policy setters are firmly wedged between a rock and a hard place.

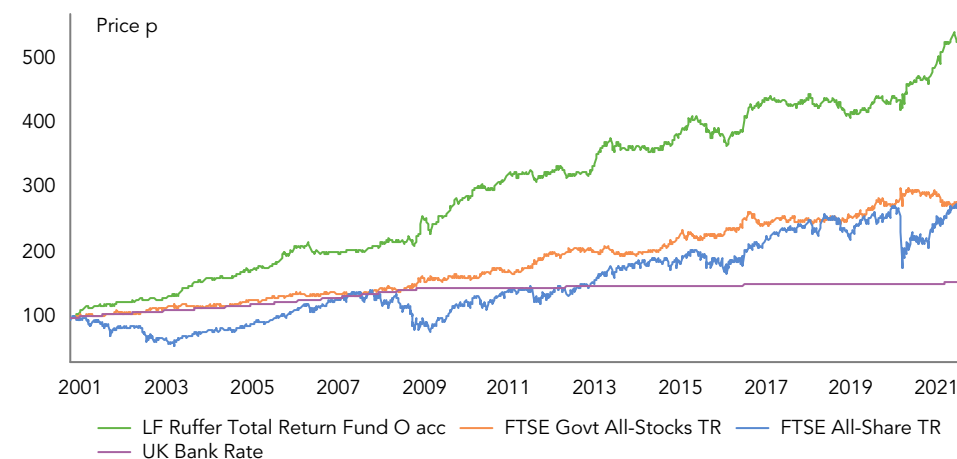
While we expect inflation and real rate volatility to increase, it will not be a straightforward journey. This will necessitate a nimble portfolio. To use one example, interest rate options have allowed us to manage the fund’s duration this year – making money in bonds even as yields were rising. This flexibility will be useful going forwards.

We are holding a meeting for shareholders on 30 November at our office in London. If you would like to attend please [click here](#) or email ruffer@ruffer.co.uk

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



O accumulation shares	Performance %	Share price as at 29 October 2021	p
October 2021	2.6	O accumulation	542.39
Year to date	9.9	O income	346.65
1 year	17.1		
3 years	27.7		
5 years	25.3		
10 years	68.3		

12 month performance to September %	2017	2018	2019	2020	2021
LF Ruffer Total Return Fund O acc	0.0	1.3	1.4	7.0	12.3
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

Source: Ruffer LLP, FTSE International (FTSE) †

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 29 Oct 2021

Asset allocation



Asset allocation %

● Non-UK index-linked	16.2
● Long-dated index-linked gilts	12.2
● Cash	8.4
● Illiquid strategies and options	6.8
● Gold and gold equities	5.7
● Index-linked gilts	5.0
● Short-dated bonds	4.9
● UK equities	18.2
● North America equities	8.3
● Europe equities	6.7
● Japan equities	5.9
● Asia ex-Japan equities	0.4
● Other equities	1.2

Currency allocation %

● Sterling	84.0
● Gold	5.7
● Yen	5.0
● US dollar	1.4
● Euro	0.7
● Other	3.2

Currency allocation



10 largest equity holdings*

Stock	% of fund
Lloyds Banking Group	2.9
BP	2.8
NatWest Group	1.8
Royal Dutch Shell	1.7
UniCredit	1.3
Kinross Gold	1.2
Cigna	1.2
GlaxoSmithKline	1.0
Mitsubishi UFJ Financial Group	1.0
iShares Physical Gold	1.0

5 largest bond holdings

Stock	% of fund
UK Treasury index-linked 0.125% 2065	5.0
UK Treasury index-linked 0.125% 2068	4.8
US Treasury 0.625% TIPS 2023	3.9
UK Treasury 0.125% 2023	3.7
US Treasury 0.125% TIPS 2022	3.1

*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 £4,069.8m

Fund information

	%
Ongoing Charges Figure	1.51
Annual management charge	1.50
Maximum initial charge	5.0
Yield	1.16
Minimum investment	£1,000
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	GB0009684100	GB0009684878
SEDOL	0968410	0968487

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

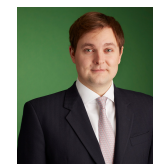
Joined Ruffer in 2011 after graduating from Edinburgh University with a first class honours degree in history and German. He worked as an equity analyst in Hong Kong before taking up a role in Ruffer's institutional investment team. He was made a manager of the Total Return Fund in 2019.



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.



Ruffer LLP

Ruffer LLP manages investments on a discretionary basis for private clients, trusts, charities and pension funds. As at 30 September 2021, assets managed by the Ruffer Group exceeded £23.2bn.

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