

# LF Ruffer Total Return Fund

Positive absolute returns with low volatility

During September, the fund price rose by 0.1%. This compared with a return on the UK Bank Rate of 0.2%.

A seamless succession from the late Queen Elizabeth II to King Charles III stood in stark contrast to growing instability in financial markets as the long reign of low inflation and easy money ends. Stocks and bonds both fell once again as the toxic cocktail of persistent inflation, central bank hawkishness, rising recession risk and political uncertainty left investors with few hiding places.

August's 8.3% US inflation print proved hotter than expected, dashing remaining hopes of a Fed 'pivot' away from aggressive monetary tightening. Stock markets suffered their biggest one-day drop since the depths of COVID and all the time the liquidity noose continues to tighten. Fed hikes took US rates to 3.25% and heading higher, with markets now predicting over 4% by the year end. Quantitative tightening (QT) – where the Fed drains liquidity by running down its holdings of government bonds – doubled to \$95bn per month. Lower liquidity means less money is available to support asset prices. Consequently, the fund retains a record low equity weight of c.15%, which detracted 1.3% from performance. Our downside derivative protections were the biggest positive, adding 3.4%. We have taken some profits here.

Against this febrile backdrop the new British government popped its head above the parapet with a 'mini-budget' requiring extra borrowing at a time of rapidly rising rates, high inflation and a large current account deficit. A market storm ensued: sterling touched an all-time low whilst UK bond yields surged, triggering a doom-loop of disorderly selling by Liability Driven Investing (LDI) pension strategies scrambling for cash to meet derivative margin calls. Real (inflation-adjusted) yields on the longest-dated UK index-linked bonds (held in the fund) rocketed to nearly 2%. This gave us the opportunity to add to these key assets at extraordinarily distressed prices, before the Bank of England was forced to step in to restore order. At one point down over 85% year to date, the 2073 index-linked gilts rallied nearly 250% from their trough to the month end, adding significantly to performance. They remain an option on long-term inflation expectations un-anchoring. We also added new positions in long-dated US inflation-protected TIPS and conventional bonds totalling c.7%. The combination of higher yields and growing recession risk now makes these bonds more attractive than for many years. We also increased our US dollar weighting after the pound recovered from its 'mini-budget' meltdown. For now, the dollar offers defensive characteristics in a world of deepening risks.

Britain's gilt market seizure is a warning from the future. As the liquidity tide continues to recede, other crises will emerge. Housing markets are one obvious area where rapid rate rises are already causing trouble. As the Bank of England has just discovered, central banks may have to choose between controlling inflation or protecting financial stability. Ending the reign of easy money was never going to see a smooth succession. The fund remains defensively positioned with the liquidity to take opportunities as they arise.

We are holding a meeting for shareholders on Thursday 24 November at our office in London. If you would like to attend please email [ruffer@ruffer.co.uk](mailto:ruffer@ruffer.co.uk).

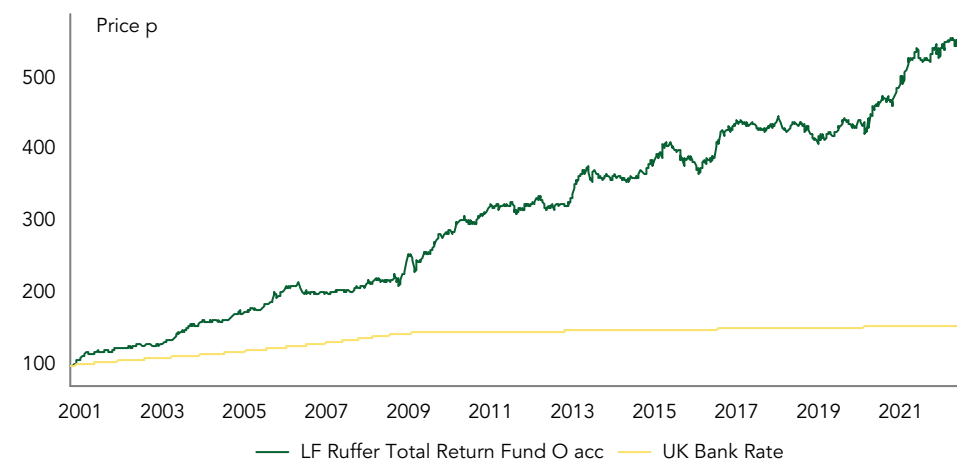
Ruffer performance is shown after deduction of all fees and management charges, and on the basis of income being reinvested. Past performance is not a guide to future performance. The value of the shares and the income from them can go down as well as up and you may not get back the full amount originally invested. The value of overseas investments will be influenced by the rate of exchange.



## 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



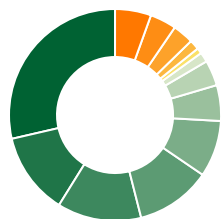
○ accumulation shares	Performance %	Share price as at 30 September 2022	p
September 2022	0.1	○ accumulation	535.60
Year to date	0.0	○ income	333.84
1 year	1.3		
3 years	21.6		
5 years	24.8		
10 years	64.4		

12 month performance to September %	2018	2019	2020	2021	2022
LF Ruffer Total Return Fund O acc	1.3	1.4	7.0	12.3	1.3
UK Bank Rate	0.5	0.8	0.4	0.1	0.8

Source: Ruffer LLP

# LF Ruffer Total Return Fund as at 30 Sep 2022

## Asset allocation



## Asset allocation %

Short-dated bonds	28.5
Index-linked gilts	12.7
Non-UK index-linked	12.6
Cash	11.8
Long-dated index-linked gilts	8.5
Long-dated bonds	5.4
Protection strategies and options	4.0
Gold exposure and gold equities	1.6

UK equities	5.6
North America equities	4.0
Europe equities	3.2
Japan equities	1.4
Asia ex-Japan equities	0.0
Other equities	0.7

## Currency allocation %

Sterling	62.2
US dollar	15.8
Yen	10.2
Australian dollar	6.0
Euro	1.7
Other	4.1

## Currency allocation



## 10 largest equity holdings\*

Stock	% of fund
BP ADR	1.6
Ambev SA	0.7
Hertz	0.7
BP	0.6
Bayer	0.4
Deutsche Post	0.4
Ryanair	0.3
Mitsubishi UFJ Financial Group	0.3
Federated Hermes Inc Class B	0.3
Coty	0.3

## 5 largest bond holdings

Stock	% of fund
US Treasury FRN 2024	8.5
US Treasury 0.125% TIPS 2023	7.3
UK Treasury index-linked 0.125% 2024	6.9
UK Treasury index-linked 2.5% 2024	4.9
US Treasury 0.625% TIPS 2023	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 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](http://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 £3,557.2m

## Fund information

	%
Ongoing Charges Figure	1.52
Annual management charge	1.50
Maximum initial charge	5.0
Yield	2.50
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

ISIN	Accumulation	Income
	GB0009684100	GB0009684878

SEDOL	0968410	0968487
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Investment adviser	Ruffer LLP
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ACD	Link Fund Solutions Limited
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Depository	The Bank of New York Mellon (International) Limited
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Auditors	Ernst & Young LLP
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Structure	Sub-fund of LF Ruffer Investment Funds (OEIC) UK domiciled UCITS Eligible for ISAs
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Dealing line 0345 601 9610

## Enquiries

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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

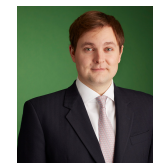
Joined Ruffer in 2011 after graduating from the University of Edinburgh with a first class honours degree in history and German. He spent 2015 seconded to Ruffer's Hong Kong office, and is a fellow of the Chartered Institute for Securities & Investment. He co-manages two of Ruffer's flagship funds.



### 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 Chartered Institute for Securities & Investment and he 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 August 2022, assets managed by the Ruffer Group exceeded £26.3bn.

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