

LF Ruffer Diversified Return Fund

Positive absolute returns with low volatility

During December, the fund price rose from 101.35p to 101.74p. This compared with a return on the UK Bank Rate of 0.25%.

December began in the aftermath of the sell-off in reopening-sensitive assets, such as energy and cyclical. The sharp decline in bond yields seen at the end of November continued into early December, as the discovery of the new Omicron variant threatened the vaccine-led economic recovery globally. We took advantage of this sell-off to reinforce core equity positions in energy, financials and industrials. This allowed the equity weight to rise marginally to 42%.

Overall, equities added +2.3% to the monthly return (with financials being the largest contributor) as evidence grew that Omicron might be less dangerous than first thought. Derivative protection (-0.4%) was a drag, as successes with equity put options were outweighed by a fall in credit spreads. Equity put options are held to protect against a withdrawal of liquidity by the Fed, and credit protection for weakness in the real economy.

Inflation-linked bonds detracted 1.6% from the monthly return as bond yields rose and inflation expectations did not. This is a dynamic that may persist in 2022 as economic strength continues and central banks begin to tighten. As a result, we reduced portfolio duration significantly, to nearly zero by the month end, using interest rate options.

At the same time, we retain our high conviction in both financial and energy equities. For financials, many investors cannot contemplate buying them and this is providing some spectacular prospective return opportunities. UniCredit's decision (and ability) to return 50% of its market cap to shareholders within the next three years shows just how undervalued they are. Rising real yields, which hurt index-linked bonds (which we own) and highly valued growth and tech stocks (which we do not own), should be accompanied by rising earnings for financial stocks. The picture for energy stocks is similar. There is something of a catch-22 in energy markets: energy demand continues to rise even as the world navigates the path to net zero, but there is a lack of investment in reliable supply, even though it is crucial to the net zero solution. This leaves higher energy prices the likely outcome and cheap valuations the entry point. We continue to focus on engaging with these companies to help and encourage them on the energy transition journey. The average energy stock in the fund returned 40% in 2021 and the average financial stock returned 35%.

We enter 2022 satisfied that our all-weather investment strategy has fared well through a wide range of investment conditions in the last three years. However, for all investors things are likely to get more rather than less difficult from here. In order to protect and grow their savings, investors will need to focus on risk rather than return and adopt a multi-asset approach containing genuinely uncorrelated assets.

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.

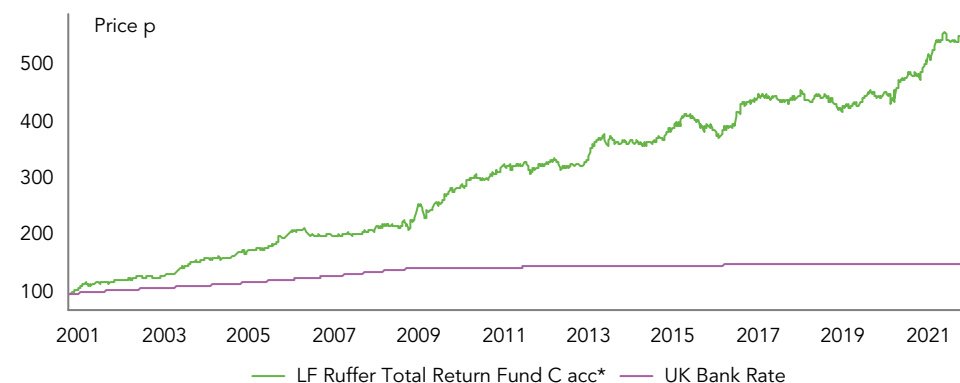


C class December 2021 Issue 4

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 one or a number of 12 month periods.

Performance based on LF Ruffer Total Return Fund* since launch on 29 Sep 2000



*All figures refer to simulated past performance based on the actual performance of the LF Ruffer Total Return Fund and include reinvested income.

C accumulation shares*	Performance %	Share price as at 31 December 2021	p
December 2021	0.3	C accumulation	101.74
Year to date	8.8	C income	101.88
1 year	8.8		
3 years	31.9		
5 years	24.5		
10 years	68.8		

12 month performance to December %	2017	2018	2019	2020	2021
LF Ruffer Total Return Fund C acc*	0.9	-6.5	8.4	11.9	8.8
UK Bank Rate	0.3	0.6	0.8	0.2	0.1

Source: Ruffer LLP. Current UK regulations require that any information provided on past performance must be based on, and show complete 12 month periods, starting after the first complete calendar quarter. Therefore the performance charts and other relevant performance data will be provided after 30 September 2022. As such, the performance chart is that of the existing fund, LF Ruffer Total Return Fund, whereas the share price laid out above is of LF Ruffer Diversified Return Fund. Ruffer performance is shown in GBP after deduction of all fees and management charges, and on the basis of income being reinvested. Calendar quarter data has been used up to the latest quarter end and monthly data thereafter.

LF Ruffer Diversified Return Fund as at 31 Dec 2021

Asset allocation



Asset allocation

	%
Index-linked gilts	15.1
Long-dated index-linked gilts	12.5
Non-UK index-linked	9.3
Gold exposure and gold equities	7.7
Cash	6.8
Short-dated bonds	4.0
Options	2.6
UK equities	15.5
Japan equities	9.5
North America equities	8.6
Europe equities	7.1
Other equities	1.3

Currency allocation



Currency allocation

	%
Sterling	84.6
Yen	9.2
Gold exposure	3.1
Euro	0.7
Other	2.4

10 largest equity holdings

Stock	% of fund
BP	2.6
Royal Dutch Shell	2.6
NatWest Group	2.0
Barclays	1.8
GlaxoSmithKline	1.7
Cigna	1.6
Bristol-Myers Squibb	1.2
Volkswagen	1.1
American Express	1.1
Mitsubishi UFJ Financial Group	1.0

5 largest bond holdings

Stock	% of fund
UK Treasury index-linked 1.875% 2022	6.5
UK Treasury index-linked 0.125% 2024	5.4
UK Treasury index-linked 0.125% 2065	4.8
UK Treasury index-linked 0.125% 2068	4.5
UK Treasury 0.125% 2023	4.0

Source: Ruffer LLP.
Pie chart totals may not equal 100 due to rounding.

The views expressed in this report are not intended as an offer or solicitation for the purchase or sale of any investment or financial instrument. The views reflect the views of Ruffer LLP at the date of this document and, whilst the opinions stated are honestly held, they are not guarantees and should not be relied upon and may be subject to change without notice.

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 Managed Funds is a UK UCITS. The LF Ruffer Diversified 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 Diversified 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 **£136.3m**

Fund information

		%
Ongoing Charges Figure (capped)		1.13
Annual management charge		1.1
Yield (historic)		NA
Minimum investment		£1,000
Ex dividend dates		15 Mar, 15 Sep
Pay dates		15 May, 15 Nov
Dealing frequency		Daily
Valuation point		12:00
ISIN	Accumulation GB00BMWLQT53	Income GB00BMWLQS47
SEDOL	BMWLQT5	BMWLQS4
Investment manager	Ruffer LLP	
Auditors	Ernst & Young LLP	
Authorised Corporate Director	Link Fund Solutions	
Depository	The Bank of New York Mellon (International) Limited	
Structure	Sub-fund of LF Ruffer Managed Funds (OEIC) UK domiciled UCITS Eligible for ISAs	

Dealing line

0345 601 9610

Enquiries

Ruffer LLP
80 Victoria Street
London
SW1E 5JL

+44 (0)20 7963 8254
rif@ruffer.co.uk

www.ruffer.co.uk



Fund Managers

Duncan MacInnes

INVESTMENT DIRECTOR

Joined Ruffer in 2012. He graduated from Glasgow University School of Law in 2007 and spent four years working at Barclays in Glasgow, London and Singapore. He is a CFA charterholder and is co-manager of Ruffer Investment Company.



Ian Rees

INVESTMENT DIRECTOR

Joined Ruffer in 2012, after graduating from the University of Bath with an honours degree in economics. He spent 2017 in Ruffer's Hong Kong office working as an equity analyst covering emerging markets, and is a CFA charterholder.



Rachel Holdsworth

FUND SPECIALIST

Joined Ruffer in 2013 after graduating from Oxford University with a first class honours degree in biological sciences. She is a member of the Chartered Institute for Securities & Investment.

Ruffer LLP

Ruffer LLP manages investments on a discretionary basis for private clients, trusts, charities and pension funds. As at 30 November 2021, assets managed by the Ruffer Group exceeded £23.7bn.

This financial promotion is issued by Ruffer LLP, 80 Victoria Street, London SW1E 5JL. Ruffer LLP is authorised and regulated by the Financial Conduct Authority. © Ruffer LLP 2022