

LF Ruffer Diversified Return Fund

Positive absolute returns with low volatility

During October, the fund's I accumulation shares rose from 100.35p to 102.73p. This compared with a return on the UK Bank Rate of 0.0%.

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.

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.

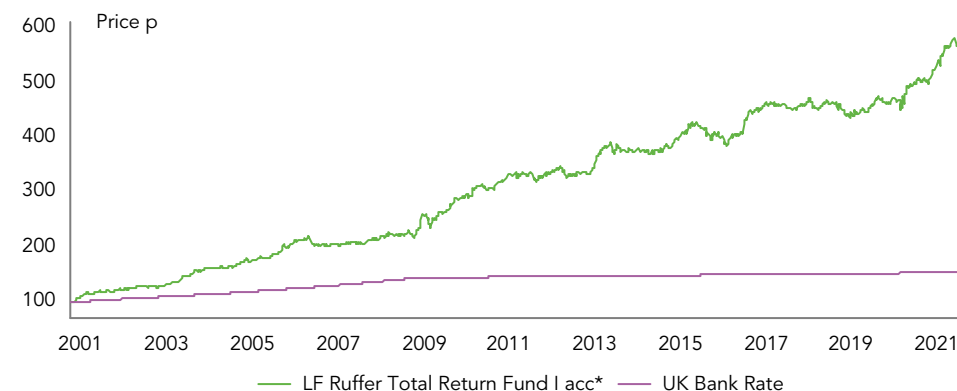


I class October 2021 Issue 2

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.

| I accumulation shares* | Performance % | Share price as at 29 October 2021 | p |
|------------------------|---------------|-----------------------------------|--------|
| October 2021 | 2.6 | I accumulation | 102.73 |
| Year to date | 10.3 | I income | 102.72 |
| 1 year | 17.6 | | |
| 3 years | 29.6 | | |
| 5 years | 28.4 | | |
| 10 years | 75.7 | | |

| 12 month performance to September % | 2017 | 2018 | 2019 | 2020 | 2021 |
|-------------------------------------|------|------|------|------|------|
| LF Ruffer Total Return Fund I acc* | 0.5 | 1.8 | 1.9 | 7.5 | 12.8 |
| UK Bank Rate | 0.2 | 0.5 | 0.8 | 0.4 | 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 29 Oct 2021

Asset allocation



Asset allocation

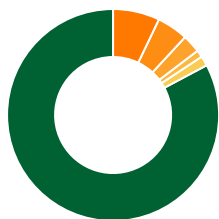
| | % |
|-------------------------------|------|
| Index-linked gilts | 15.2 |
| Long-dated index-linked gilts | 13.5 |
| Cash | 12.5 |
| Non-UK index-linked | 9.9 |
| Gold and gold equities | 7.3 |
| Options | 2.6 |

| | |
|------------------------|------|
| UK equities | 15.0 |
| Japan equities | 8.9 |
| North America equities | 7.5 |
| Europe equities | 6.5 |
| Other equities | 1.2 |

Currency allocation

| | % |
|-----------|------|
| Sterling | 82.9 |
| Gold | 7.3 |
| Yen | 4.5 |
| US dollar | 1.3 |
| Euro | 1.3 |
| Other | 2.7 |

Currency allocation



10 largest equity holdings

| Stock | % of fund |
|--------------------------------|-----------|
| BP | 2.7 |
| Royal Dutch Shell | 2.7 |
| iShares Physical Gold | 2.6 |
| Barclays | 1.9 |
| NatWest Group | 1.9 |
| GlaxoSmithKline | 1.6 |
| Cigna | 1.3 |
| Kinross Gold | 1.3 |
| Bristol-Myers Squibb | 1.0 |
| Mitsubishi UFJ Financial Group | 1.0 |

5 largest bond holdings

| Stock | % of fund |
|--|-----------|
| UK Treasury index-linked 1.875% 2022 | 6.8 |
| UK Treasury index-linked 0.125% 2068 | 6.7 |
| UK Treasury index-linked 0.125% 2024 | 5.2 |
| UK Treasury index-linked 0.125% 2065 | 5.0 |
| Government Of United Kingdom 0.125%... | 3.2 |

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

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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 £44.7m

Fund information

| | | |
|---------------------------------|---|-------------------------|
| | | % |
| Ongoing Charges Figure (capped) | | 0.93 |
| Annual management charge | | 0.90 |
| Yield (historic) | | 0.00 |
| Minimum investment | | £50,000,000 |
| Ex dividend dates | | 15 Mar, 15 Sep |
| Pay dates | | 15 May, 15 Nov |
| Dealing frequency | | Daily |
| Valuation point | | 12:00 |
| ISIN | Accumulation GB00BMWQLQW82 | Income GB00BMWQLQV75 |
| SEDOL | BMWQLQW8 | BMWQLQV7 |
| 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 | |

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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 September 2021, assets managed by the Ruffer Group exceeded £23.2bn.

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