

LF Ruffer Total Return Fund

Positive absolute returns with low volatility



I class June 2019 Issue 198

During June, the fund price rose by 1.8%. This compared with a rise of 3.7% in the FTSE All-Share Index and an increase of 0.7% in the FTSE Govt All Stocks Index (all figures total returns in sterling).

Following January's handbrake turn on the path of interest rates by the US Federal Reserve, 2019 has so far been a profitable year for most investors, and the fund has benefited, appreciating by 5.0%. Equities, bonds and credit have all risen in value, while hopes of lower US interest rates took the gold price up 8% in June in US dollar terms, reaching a five year high. And therein lies the rub. Global bond markets are signaling sharply decelerating economic activity, with \$13 trillion marking a new high level of negative-yielding government bonds, and also the need for immediate rate cuts, with a full 1% of easing over the next twelve months now priced into US rates. Equities meanwhile march blithely on, seemingly blind to the risk of profits coming under pressure as economic activity slows. It seems very hard for both these markets simultaneously to be right, and at Ruffer our tradition has always been to focus on the mousetrap rather than the cheese, hence our reluctance to raise the fund's equity exposure from its present level of around 38%.

Whereas in May equities were clearly spooked by the US-China trade spat, June's recovery owed something both to interest rate hopes and to heightened expectations that a trade deal might be struck at the G20 meeting in Osaka. A commitment emerged that talks should be resumed, but specifics and details were conspicuously light.

Unsurprisingly the fund's credit protections suffered a small loss in June as optimism returned. We would, though, be very surprised if slower economic and profits growth did not bring about higher borrowing spreads and downgrades in corporate credit. Not only are 50% of outstanding investment grade corporate bonds rated BBB, but if corporate credit were assessed on borrowing ratios alone, 45% of the entire stock of investment grade bonds would be junk. Furthermore, benign borrowing data for the aggregate corporate sector disguises increasingly skewed distributions of profitability and debt. While at present investors seem happy to bid up credit on the basis of a benign interest rate outlook, investors seem equally content to ignore precisely why the interest rate profile has changed, viz slower-growth, something which entirely convinces us of the vital need for this protection.

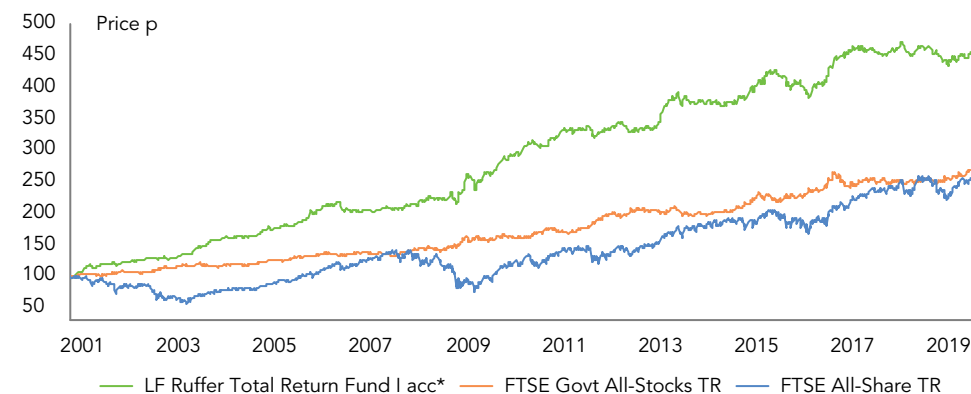
We are planning to hold a meeting for shareholders on 11 September this year. If you would like to attend please contact us at investorday@ruffer.co.uk.

The fund's prospectus and key investor information documents are provided in English and available on request or from www.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.

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



Performance %	June 2019	Year to date	1 year	3 years	5 years	10 years
I accumulation shares	1.8	5.0	-1.3	8.8	21.2	72.0
Percentage growth (I acc)	%		Share price as at 28 June 2019			
30 Jun 2018 – 30 Jun 2019	-1.3		I accumulation			
30 Jun 2017 – 30 Jun 2018	1.3		I income			
30 Jun 2016 – 30 Jun 2017	8.9					
30 Jun 2015 – 30 Jun 2016	0.0					
30 Jun 2014 – 30 Jun 2015	11.4					

Source: Ruffer LLP, FTSE International (FTSE)†. * 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.

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 28 Jun 2019

Asset allocation



Asset allocation %

Long-dated index-linked gilts	15.6
Non-UK index-linked	14.5
Short-dated bonds	9.8
Gold and gold equities	7.8
Illiquid strategies and options	6.7
Cash	3.8
Index-linked gilts	2.1

Currency allocation



Currency allocation %

Sterling	73.5
Yen	9.0
Gold	7.9
Euro	3.4
US dollar	2.7
Other	3.5

10 largest of 59 equity holdings*

Stock	% of fund
Walt Disney Company	3.0
Tesco	2.0
Vivendi	1.7
Sony	1.5
Sumitomo Mitsui Financial Group	1.4
ExxonMobil	1.3
Cigna Corporation	1.3
Mitsubishi Electric	1.3
Mitsubishi UFJ Financial	1.2
Barrick Gold	1.1

5 largest of 16 bond holdings

Stock	% of fund
UK Treasury index-linked 0.125% 2068	5.0
US Treasury TIPS 1.25% 2020	4.5
UK Treasury index-linked 1.25% 2055	4.3
US Treasury 1.75% TIPS 2019	3.3
US Treasury 2.0% TIPS 2020	3.2

*Excludes holdings in pooled funds
Source: Ruffer LLP.
Pie chart totals may not equal 100 due to rounding.

Fund size £3,331.4m

Fund information

Ongoing Charges Figure	1.02
Annual management charge	1.00
Maximum initial charge	5.0
Yield	1.42
Minimum investment	£30m
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 GB00B03JB001 Income 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

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.



David Ballance

INVESTMENT DIRECTOR

Previously International Equities Head at Rothschild Private Management, he graduated from Oxford and was a Senior Investment Manager at Allied Dunbar, before moving to Threadneedle as Head of European Equities. He joined Ruffer in 2006.



Ruffer LLP

Ruffer LLP manages investments on a discretionary basis for private clients, trusts, charities and pension funds. As at 31 May 2019, assets managed by the Ruffer Group exceeded £20.6bn.

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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.

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