

LF Ruffer Total Return Fund

Positive absolute returns with low volatility



I class February 2021 Issue 218

During February, the fund price rose by 3.7%. This compared with a rise of 2.0% in the FTSE All-Share index and a fall of 5.7% in the FTSE Govt All Stocks index (all figures total returns in sterling).

We always expected the journey to a post-covid world would be a bumpy ride, especially after the fireworks in stock markets last year, so we positioned the portfolio accordingly. With bond yields ending 2020 at extraordinarily low levels, it was only a matter of time before investors started to fret about a stronger than anticipated economic recovery in the coming months. February duly delivered the first of what may be several jolts to asset prices as bond yields rose sharply, gold sold off and equities fell back from all time highs touched in mid-February.

We have long been aware of the risk to portfolio performance from a rise in bond yields. Accordingly, we accumulated small, but powerful, holdings in interest rate options at bargain prices last year to protect against the damage exactly such a move could do to our long-dated inflation-linked bonds. These interest rate options rose sharply in February, ensuring we made a good return despite falls in gold and inflation-linked bonds. In technical terms, the interest rate options reduced the overall duration of the portfolio to close to zero, eliminating the downside risk from rising bond yields, despite the fact we continue to hold about 15% of the fund in the longest duration inflation-linked bonds available in both the UK and US. At the same time, we continue to avoid other hidden 'long duration' assets such as the US mega-cap growth stocks.

Freed from the drag of falling bond prices, the fund made a healthy gain in February thanks to strong rises in the recovery-biased equities in the portfolio. Previously 'out of favour' holdings such as UK banks (Lloyds, Natwest and Barclays) rose by around 20%, the oil majors gained approximately 10% and Japanese banks had a moment in the sun with rises of up to 15%. The small amount of exposure to cryptocurrency held via the Ruffer Illiquid Multi Strategies Fund also contributed positively.

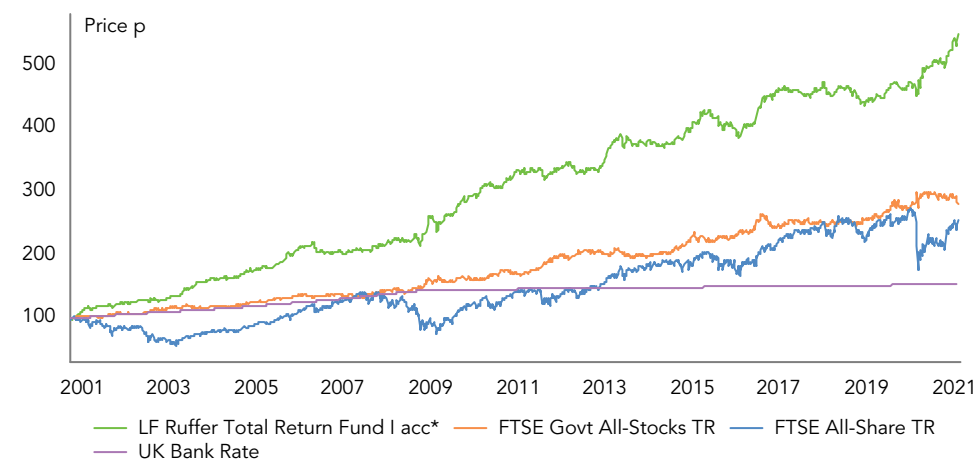
Viewed from 10,000 feet, however, the big picture remains the same. Our conviction of an inflationary end to these events is unshaken, but at some point markets were going to test central bankers' resolve to keep interest rates nailed to the floor once economies showed signs of recovery. There may well be more such tests to come, hence the fund consists of essentially three 'legs'. First, inflation-linked bonds, gold and cryptocurrency protect against higher inflation and financial repression. In fact, we have used the recent sell-off to add to inflation-linked bonds. Secondly, unconventional protections such as interest rate options and credit protections enable us to keep to our course through the likely squalls. Finally, recovery-oriented equities profit from the reopening of economies around the world.

Over the last 12 months, this all-weather approach delivered a return of 21.8% with a low level of volatility while stock and bond markets fluctuated wildly, and we believe it remains well positioned for an uncertain future.

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



I accumulation shares	Performance %	Share price as at 26 February 2021	p
February 2021	3.7	I accumulation	557.21
Year to date	4.0	I income	360.37
1 year	21.8		
3 years	20.5		
5 years	39.6		
10 years	64.2		

12 month performance to December %	2016	2017	2018	2019	2020
LF Ruffer Total Return Fund I acc*	14.3	1.1	-6.3	8.6	12.1
FTSE Govt All-Stocks TR	10.1	1.8	0.6	6.9	8.3
FTSE All-Share TR	16.8	13.1	-9.5	19.2	-9.8
UK Bank Rate	0.4	0.3	0.6	0.8	0.2

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.

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.

LF Ruffer Total Return Fund as at 26 Feb 2021

Asset allocation



Asset allocation %

Non-UK index-linked	18.2
Illiquid strategies and options	12.1
Long-dated index-linked gilts	9.1
Gold and gold equities	7.6
Cash	6.6
Short-dated bonds	3.0
Index-linked gilts	1.7
UK equities	16.7
North America equities	8.2
Japan equities	7.7
Europe equities	7.3
Asia ex-Japan equities	1.9

Currency allocation



Currency allocation %

Sterling	72.4
US dollar	17.0
Gold	7.5
Euro	0.6
Other	2.5

10 largest equity holdings*

Stock	% of fund
Lloyds Banking Group	2.7
iShares Physical Gold	2.7
BP	1.7
Barclays	1.6
NatWest Group	1.4
Kinross Gold	1.3
Royal Dutch Shell	1.1
BT	1.0
Countryside Properties	1.0
Cigna	1.0

5 largest bond holdings

Stock	% of fund
UK Treasury index-linked 0.125% 2068	3.7
US Treasury 0.875% TIPS 2029	2.8
UK Treasury index-linked 1.25% 2055	2.5
US Treasury 0.25% TIPS 2029	2.4
US Treasury index-linked 0.125% TIPS 2024	2.3

*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. 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 £3,679.9m

Fund information

Ongoing Charges Figure	1.02
Annual management charge	1.00
Maximum initial charge	5.0
Yield	0.80
Minimum investment	£25m
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
	GB00B03JB001	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

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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

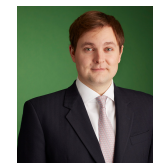
Joined Ruffer in 2011 after graduating from Edinburgh University with a first class honours degree in history and German. He worked as an equity analyst in Hong Kong before taking up a role in Ruffer's institutional investment team. He was made a manager of the Total Return Fund in 2019.



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 31 January 2021, assets managed by the Ruffer Group exceeded £21.0bn.

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