LF Ruffer Total Return Fund

Positive absolute returns with low volatility

I class January 2022 **Issue 229**

During January, the fund price rose by 0.9%. This compared with a fall of 0.3% in the FTSE All-Share Index and a fall of 3.9% in the FTSE Govt All Stocks Index (all figures total returns in sterling).

Investors returned from the holiday period to face the prospect of much tighter financial conditions led by the US Federal Reserve. There are signs that higher inflation is embedding itself across the US economy, notably the labour market, and will not necessarily ease once supply chain disruptions abate. With interest rates close to zero and consumer price inflation at 7%, US policymakers are reacting to the realisation that conditions have been too accommodative for too long. Current expectations see four rate hikes in 2022, up from two at the turn of the year. Investors are forced to adapt to a world where the Fed now shows greater willingness to withstand financial market volatility in combatting inflation. The anticipation of rising rates provided a difficult backdrop for our inflation-linked bonds during the month, but this headwind was offset by the positive contribution from interest rate options. These options remain a key portfolio component and allow us to manage the fund's interest rate sensitivity in what we expect will be a volatile period for bond markets. The fund's duration remained close to zero as we ended the month.

Global equities offered little respite for investors, recording their worst monthly return (-4.5%) since March 2020. The declines were even greater for the technology focused Nasdaq composite (-9.0%), confirming our fears that the faster growing and more speculative parts of the equity market would be most acutely impacted by a rising cost of capital. Growing geopolitical tensions emanating from Russia and Ukraine did little to improve risk appetite. On a historical basis, inflation above 3% sees the correlation between bonds and equities turn positive and January provided a brief taste of the challenges conventional portfolios will encounter as monetary conditions tighten.

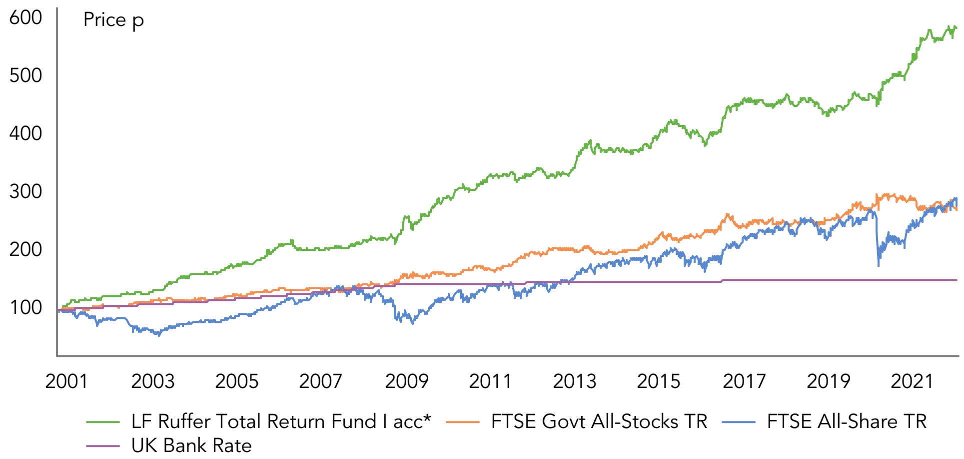
We are pleased to have delivered a positive return over the month when index level returns for both bonds and equities were negative. Despite the challenging backdrop, there were pockets of resilience as more cyclically exposed equities, which had been out of favour for much of the last decade, returned to prominence. Our equities, which are heavily tilted to this part of the market, contributed a positive return over the month. The most significant drivers of performance were the energy majors, which continued to rally as oil prices reached a seven year high. Demand remains strong and supply constrained, supporting our continued exposure across the energy sector. Elsewhere, bank stocks benefited from the rise in yields, supporting their position as an offset to the inflation-linked bonds. We resisted the urge to add meaningfully to equities during the recent weakness and instead maintain the current exposure at just below 40%.

The Federal Reserve may be the first mover, but the current inflationary pressures are not confined to the US. Other central banks will face pressures to join them in attempting to remove the stimulus punchbowl. The coming interest rate cycle is unlikely to be as well choreographed or as smooth as the last, resulting in continued uncertainty and a testing time for financial assets. We believe we have the right toolkit to survive and perhaps thrive in this environment.

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 %
January 2022	0.9
Year to date	0.9
1 year	9.8
3 years	29.6
5 years	26.1
10 years	72.5

Share price as at 31 January 2022	p
I accumulation	**589.72**
I income	**376.91**
H accumulation	**587.97**
H income	**376.87**

12 month performance to December %	2017	2018	2019	2020	2021
LF Ruffer Total Return Fund I acc*	1.1	-6.3	8.6	12.1	9.1
FTSE Govt All-Stocks TR	1.8	0.6	6.9	8.3	-5.2
FTSE All-Share TR	13.1	-9.5	19.2	-9.8	18.3
UK Bank Rate	0.3	0.6	0.8	0.2	0.1

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 31 Jan 2022

Asset allocation

Currency allocation

Asset allocation	%
Short-dated bonds	14.6
Long-dated index-linked gilts	11.4
Non-UK index-linked	8.8
Cash	8.1
Gold exposure and gold equities	7.8
Illiquid strategies and options	6.5
Index-linked gilts	3.9
UK equities	16.3
North America equities	7.5
Europe equities	7.0
Japan equities	6.5
Asia ex-Japan equities	0.1
Other equities	1.3

Currency allocation	%
Sterling	82.9
Yen	8.3
US dollar	0.6
Euro	0.5
Other	7.7

10 largest equity holdings*

Stock	% of fund
Lloyds Banking Group	2.3
BP	2.3
Royal Dutch Shell	1.9
NatWest Group	1.7
Mitsubishi UFJ Financial Group	1.3
Bristol-Myers Squibb	1.0
Bayer	1.0
Volkswagen	1.0
GlaxoSmithKline	0.8
UniCredit	0.8

5 largest bond holdings

Stock	% of fund
US Treasury FRN 2023	6.0
UK Treasury index-linked 0.125% 2065	4.5
UK Treasury index-linked 0.125% 2068	4.3
US Treasury 0.125% TIPS 2022	4.2
UK Treasury 0.125% 2023	3.4

*Excludes holdings in pooled funds

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

Fund size £3,521.1m

Fund information

		%
Ongoing Charges Figure		0.99
Annual management charge		1.00
Maximum initial charge		5.0
Yield		1.16
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
	Accumulation	Income
ISIN	GB00B03JB001	GB00B03J9Y05
SEDOL	B03JB00	B03J9Y0
Investment adviser		Ruffer LLP
ACD		Link Fund Solutions Limited
Depositary		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

Enquiries

Ruffer LLP
80 Victoria Street
London
SW1E 5JL

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

www.ruffer.co.uk

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 has co-managed the LF Ruffer Total Return Fund since 2019.

Ruffer LLP

Ruffer LLP manages investments on a discretionary basis for private clients, trusts, charities and pension funds. As at 31 December 2021, assets managed by the Ruffer Group exceeded £24.0bn.