

LF Ruffer Total Return Fund

Positive absolute returns with low volatility



During March, the fund price rose by 3.6%. This compared with a fall of 15.1% in the FTSE All-Share Index and an increase of 1.4% in the FTSE Govt All Stocks Index (all figures total returns in sterling).

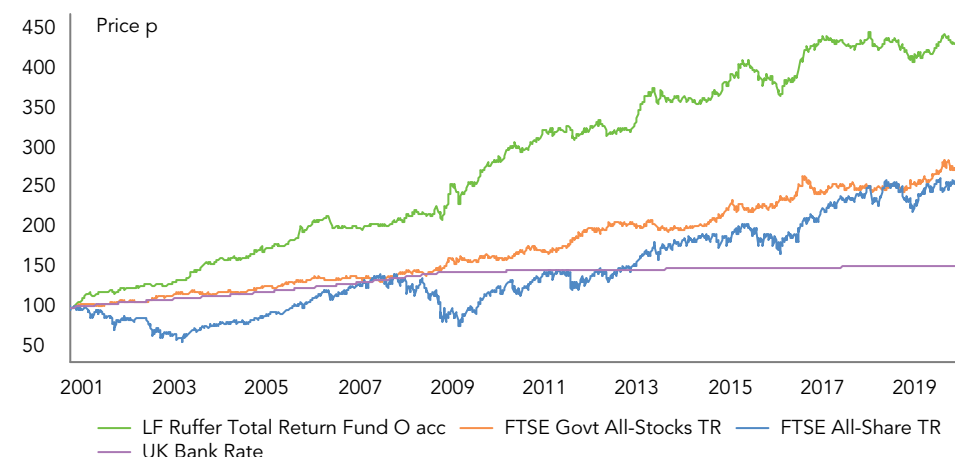
Lenin mused that ‘there are decades where nothing happens; and there are weeks where decades happen’. March had four such weeks. COVID-19 scythed through Europe and the US whilst rolling shutdowns created the worst ever peacetime output collapse. Unprecedented economic uncertainty, intensified by a Russia-Saudi oil war, drove market volatility unseen since the Great Depression. March marked the end of history’s longest US equity bull market with the fastest ever decline into a bear market from an all time high and the largest one day falls in major indices since 1987. The fund’s derivative protections proved critical, blunting equity losses: we sold the VIX calls (adding +2.6% for the fund during March) and (most) equity put options (+1.4%); credit spreads blew out in Europe and the US lifting our credit protections (+4.7%). These fell back as the US Federal Reserve waded into corporate bond markets, but credit remains exposed and the focus of our remaining alternative protections. Traditional safe haven assets proved flakier friends. Gold and gold mining equities fell with stocks as many investors sold what they could, not what they wanted to. By contrast, capital preservation has allowed us to acquire mispriced assets amidst the volatility including gold mining equities; fixed income gyrations allowed us to add long-dated US TIPS (+20% in USD since purchase) at attractive yields. The Fed and fellow central banks need to anchor yield curves to reduce real rates of borrowing to make the debt splurge affordable. Given the ‘wartime’ scale of economic dislocation, actual fiscal stimulus required will likely far exceed that already declared. Yet ‘buy the dip’ remains a powerful instinct. Is proposed stimulus enough to allow markets to stabilise, ‘looking through’ to a post-virus era? With the depth and duration of record economic disruption unknowable but increasingly visible, and in the absence of a magic bullet (eg vaccine), further volatility is likely and risks accelerating an investor preference for liquidity. Should markets sustain a rally, long TIPS and gold mining equities mean that the fund’s ‘risk’ assets are materially higher than the c 28% equity weight suggests. Central banks are throwing the kitchen sink at the crisis, but their omnipotence is another COVID-19 victim. On Sunday 15 March, the Fed cut rates to zero and unleashed massive quantitative easing. Markets fell sharply the following day, the third ‘black’ day this month. This was the Fed’s ‘emperor has no clothes’ moment, and signalled the end of the post-1987 ‘Greenspan put’ era, where monetary easing alone repeatedly bailed out fragile markets and economies. Exhausted monetary policy is impotent in the face of the massive real economy shock facing us, and markets know it. Game-changing ‘helicopter money’ – central bank financing of fiscal stimulus for the real economy – has arrived. Our bet remains that deeper financial repression will result, with inflation-linked bonds and gold the key fund defences.

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.

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 % | March 2020 | Year to date | 1 year | 3 years | 5 years | 10 years |
|----------------------------------|------------|--------------|--|---------|---------|----------|
| O accumulation shares | 3.6 | -0.9 | 3.7 | 0.8 | 8.4 | 46.0 |
| Percentage growth (O acc) | % | | Share price as at 31 March 2020 | | | |
| 31 Mar 2019 – 31 Mar 2020 | 3.7 | | O accumulation | | | |
| 31 Mar 2018 – 31 Mar 2019 | -1.1 | | O income | | | |
| 31 Mar 2017 – 31 Mar 2018 | -1.7 | | | | | |
| 31 Mar 2016 – 31 Mar 2017 | 12.8 | | | | | |
| 31 Mar 2015 – 31 Mar 2016 | -4.7 | | | | | |

Source: Ruffer LLP, FTSE International (FTSE) †

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 31 Mar 2020

Asset allocation



Asset allocation

| | % |
|---------------------------------|------|
| Non-UK index-linked | 23.3 |
| Illiquid strategies and options | 13.5 |
| Long-dated index-linked gilts | 10.9 |
| Gold and gold equities | 8.6 |
| Cash | 5.5 |
| Index-linked gilts | 5.5 |
| Short-dated bonds | 3.7 |

| | |
|------------------------|------|
| UK equities | 10.0 |
| Japan equities | 7.2 |
| North America equities | 5.6 |
| Europe equities | 4.1 |
| Asia ex-Japan equities | 2.0 |

Currency allocation

| | % |
|-----------|------|
| Sterling | 74.5 |
| Yen | 10.3 |
| Gold | 8.8 |
| US dollar | 2.9 |
| Euro | 0.2 |
| Other | 3.4 |

Currency allocation



10 largest equity holdings*

| Stock | % of fund |
|------------------------|-----------|
| iShares Physical Gold | 2.5 |
| Lloyds Banking Group | 2.1 |
| Newmont Mining | 1.2 |
| Royal Bank of Scotland | 1.1 |
| Tesco | 1.0 |
| Mitsubishi Electric | 1.0 |
| BP | 0.9 |
| Sony | 0.9 |
| Kinross Gold | 0.9 |
| eHealth Inc. | 0.9 |

5 largest of bond holdings

| Stock | % of fund |
|--------------------------------------|-----------|
| UK Treasury index-linked 0.125% 2068 | 4.3 |
| US Treasury 0.25% TIPS 2050 | 4.0 |
| UK Treasury 2.0% 2020 | 3.7 |
| US Treasury 0.875% TIPS 2029 | 3.6 |
| UK Treasury index-linked 2.5% 2020 | 3.4 |

*Excludes holdings in pooled funds
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.

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Fund size £3,088.4m

Fund information

| | |
|--------------------------|---|
| Ongoing Charges Figure | 1.52 |
| Annual management charge | 1.50 |
| Maximum initial charge | 5.0 |
| Yield | 1.51 |
| Minimum investment | £1,000 |
| 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 GB0009684100 Income GB0009684878 |
| SEDOL | 0968410 0968487 |
| 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 spent 2015 seconded to Ruffer's Hong Kong office as an equity analyst, and is a fellow of the Chartered Institute for Securities & Investment, having achieved a distinction in the Financial Derivatives paper. He primarily manages portfolios for pension schemes and institutions.



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 29 February 2020, assets managed by the Ruffer Group exceeded £19.1bn.

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