

CF Ruffer Total Return Fund

Positive absolute returns with low volatility



August 2015 Issue 151

During August the fund price fell by 1.8%. This compared with a fall of 5.3% in the FTSE All-Share Index and a gain of 0.3% in the FTSE Government All-Stocks Index (both figures total returns in sterling).

The apparent solution of one problem in markets often brings another unrelated one in its wake; a sort of financial ‘whack-a-mole’. No sooner had Greece been deemed solved (for the moment), than a small currency devaluation by the Chinese authorities inspired a torrent of panic about slowing Chinese economic growth, deflationary risks, and further currency wars. Whether absolutely reliable or not, economic data from China had been pointing to a deceleration in growth for some time, and while falling commodity prices are linked with increased supply, as with shale oil, lower Chinese demand has also been an influence. These concerns, arriving simultaneously with the latest game of ‘will they, won’t they?’ from the Federal Reserve, drove equities sharply lower and roused volatility from its previous slumbers.

Although we have long been concerned about the possibility of a major correlated sell-off in which protections could be hard to find, we are not convinced that we are yet at such a point. Economic growth remains respectable in the US and UK, and even in the eurozone easing credit conditions and falling energy prices are bringing about a recovery of sorts. However, more worryingly, last month’s trading patterns drew attention to the presence in several asset classes of crowded trades and limited liquidity, making the reversal of such positioning only feasible at much lower prices, if at all. August witnessed several examples whereby sub-sectors of the financial system practically seized up, forcing investors to implement alternate strategies in the absence of being able to execute those originally contemplated. Double-digit falls witnessed in many US blue-chip equities at the market open on August 24 were the precise consequence of investors being unable to hedge positions in the futures market, which had temporarily ceased to function. It is a notable unintended consequence of the post-2008 desire to make investment banks ‘safer’ by telling them to shrink, that certain asset markets are now more treacherous given lower liquidity. This phenomenon has been exacerbated by central banks’ asset purchase programmes, with high quality assets worth billions of pounds now effectively out of circulation. Thus ‘flash crashes’, partial market seizures and spikes in volatility will likely be part of the investment scene going forward.

While registering a loss is always disappointing it was somewhat heartening to see that in August there was at least an element of mitigation from the fund’s protective positions, concentrated in call options on the VIX. Elsewhere the portfolio’s equity holdings lost ground, and with deflationary fears abounding inflation-linked bonds declined slightly as falling inflation breakevens offset lower nominal yields. Without seeking excuses, we are acutely aware that the biggest challenge to our style of investment is finding appropriate and genuinely uncorrelated offsets to our equity holdings. This is especially true when many traditional havens have forfeited their safety by dint of price. The old adage that at times of extreme stress the only thing that goes up is correlation, remains unfortunately true.

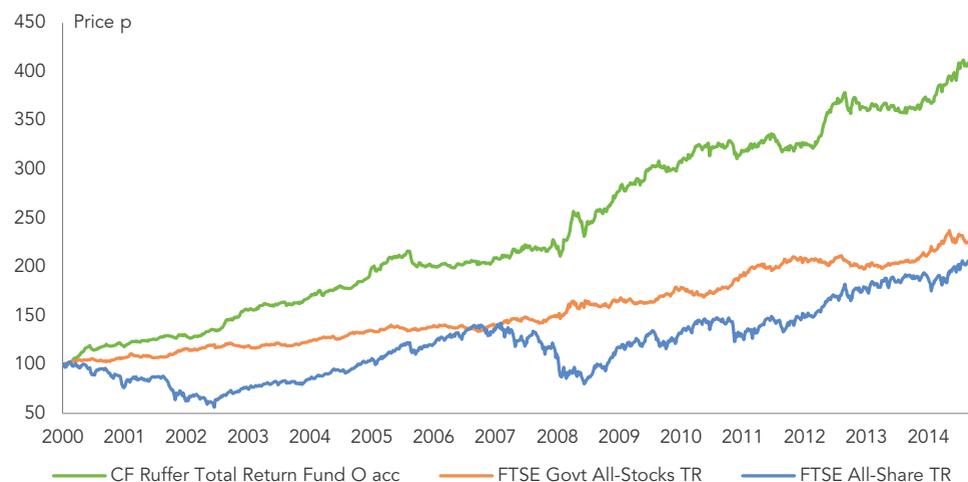
We are planning to hold a meeting for shareholders early next year. If you would like to attend please contact investorday@ruffer.co.uk.

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 CF Ruffer Investment Funds is a UK UCITS. The CF 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 CF 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 launch on 29 September 2000



Performance %	August 2015	Year to date	1 year	3 years	5 years	10 years	
O accumulation shares	-1.8	1.8	5.9	21.5	31.9	108.9	
Percentage growth (O acc)	%		Share price as at 28 August 2015				p
30 Jun 2014 – 30 Jun 2015	10.9		O accumulation		393.53		
30 Jun 2013 – 30 Jun 2014	0.1		O income		275.05		
30 Jun 2012 – 30 Jun 2013	12.6		C accumulation		397.19		
30 Jun 2011 – 30 Jun 2012	-1.3		C income		277.71		
30 Jun 2010 – 30 Jun 2011	9.4						

Source: Ruffer LLP

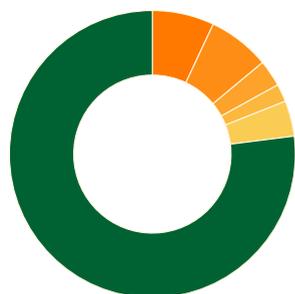
Ruffer performance is shown after deduction of all fees and management charges, and on the basis of income being reinvested. Past performance is not a guide to future performance. The value of the shares and the income from them can go down as well as up and you may not get back the full amount originally invested. The value of overseas investments will be influenced by the rate of exchange.

CF Ruffer Total Return Fund as at 28 August 2015

Portfolio structure



Asset allocation	%		%
● Non-UK index-linked	18	● Japan equities	17
● Long-dated index-linked gilts	12	● UK equities	9
● Cash	11	● North America equities	8
● Index-linked gilts	9	● Europe equities	5
● Gold and gold equities	3	● Asia ex-Japan equities	2
● Options	1	● Illiquid strategies	5



Currency allocation	%
● Sterling	77
● Yen	7
● US dollar	7
● Gold	3
● Euro	2
● Other	4

5 largest of 18 bond holdings

Stock	% of fund	Stock	% of fund
UK Treasury index-linked 0.5% 2050	4.5	Sumitomo Mitsui Financial	2.4
US TIPS 0.125% 2022	3.9	Mizuho Financial	2.4
UK Treasury index-linked 1.875% 2022	3.8	Mitsubishi UFJ Financial	1.9
UK Treasury index-linked 1.25% 2055	3.7	T&D	1.8
UK Treasury index-linked 0.125% 2024	3.3	Dai-ichi Life Insurance	1.4

5 largest of 96 equity holdings*

Stock	% of fund
Sumitomo Mitsui Financial	2.4
Mizuho Financial	2.4
Mitsubishi UFJ Financial	1.9
T&D	1.8
Dai-ichi Life Insurance	1.4

Source: Ruffer LLP

*Excludes holdings in pooled funds

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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.

Fund size £3,033.9m

Fund information

	O class	C class
Ongoing Charges Figure	1.53	1.23
Annual management charge	1.50	1.20
Maximum initial charge	5.0	5.0
Yield	1.35	1.35
Minimum investment	£1,000	
Ex dividend dates	15 Mar, 15 Sep	
Pay dates	15 May, 15 Nov	
Dealing	Weekly forward to 10am Wednesday, based on NAV Plus forward from 10am on last Wednesday of the month to last business day of the month	
ISIN	GB0009684100 (acc) GB0009684878 (inc)	GB00B80L7V87 (acc) GB00B58BQH88 (inc)
SEDOL	0968410 (acc) 0968487 (inc)	B80L7V8 (acc) B58BQH8 (inc)
Investment adviser	Ruffer LLP	

ACD	Capita Financial Managers Limited
Depository	BNY Mellon Trust & Depository (UK) Limited
Auditors	Grant Thornton UK LLP
Structure	Sub-fund of CF Ruffer Investment Funds (OEIC) UK domiciled UCITS Eligible for ISAs

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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. He is also co-manager of the Ruffer Investment Company.



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 August 2015, assets managed by the Ruffer Group exceeded £18.2bn, of which over £8.8bn was managed in open-ended Ruffer funds.

Dealing line

0345 601 9610

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