

CF Ruffer Total Return Fund

Positive absolute returns with low volatility



August 2016 Issue 163

During August the fund price increased by 3.6%. This compared with a rise of 1.9% in the FTSE All-Share Index and a rise of 2.7% in the FTSE All-Stocks Index (both figures total returns in sterling).

'Omnia vincit amor' wrote Virgil, and the recent experience of today's investors is that the present all-conquering force is not love but bond yields. A further interest rate cut to 0.25% by the Bank of England in August, alongside a restarting of its quantitative easing programme, has for the moment banished any post-Brexit blues; it has also driven bonds yields down, and brought about an 11% rally in the FTSE All-Share as measured from the day after the EU referendum. Even the UK's Purchasing Managers' Indices for the manufacturing and service sectors have recovered the ground lost since the vote. However, all this is in the nature of a phoney war; the tautology of 'Brexit means Brexit' was never more than a linguistic device to see the government over the summer recess; in terms of what Brexit really represents the real work starts now, and statements from the Japanese and US governments from the G20 meeting in China highlight the delicate balancing act ahead in terms of preserving market access while genuflecting towards the electorate's desire for a greater control on immigration.

The new(ish) UK Chancellor, Mr Hammond, as well as pushing back yet further the government's timing for achieving a balanced budget, has also introduced the word 'reset' into the lexicon as regards fiscal policy. We strongly suspect that this roughly translates as cover for fiscal expansion in the autumn if the economic seas once again become choppy. Moreover with interest rates now so low, gains from even looser monetary policy will be vanishingly small. Either way, we feel certain that any such fiscal expansion would be sure to drive up inflation expectations from their present somnolent levels. It is worth noting that asset markets are presently exhibiting their lowest levels of volatility for 20 years; with September offering potentially pivotal US Federal Reserve and Bank of Japan meetings, and the autumn the US presidential election and the Italian referendum on constitutional reform, it seems hard to believe things will stay that way, and that is even before consideration of general elections next year in France and Germany.

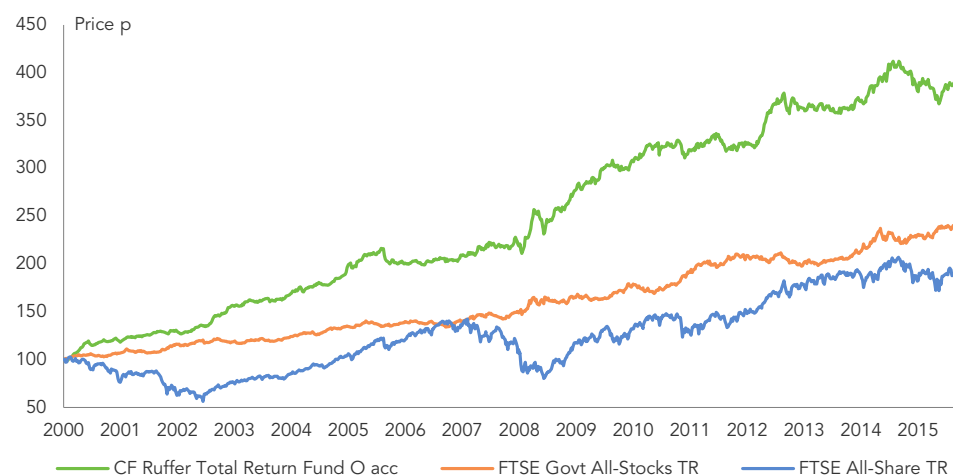
A further reason why we see greater fiscal activism in the UK as inevitable, alongside that already under way in Canada and Japan, is that there is a significant negative unintended consequence to yet easier monetary policy here, and one that is growing in profile and prominence. Collapsing bond yields, by lowering discount rates, have caused a surge in UK companies' pension deficits. With high profile cases such as BHS making all the wrong headlines, such increased pension liabilities will pressure corporate budgets, when Brexit uncertainty is probably already causing a pause for thought around investment intentions. Last week saw the UK company Carclo announce that it would probably be unable to pay an already declared dividend, precisely because of the rise in its pension deficit. Further evidence perhaps that the time has come for central banks to focus on lowering real interest rates, not just nominal ones.

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 2016	Year to date	1 year	3 years	5 years	10 years
O accumulation shares	3.6	11.8	9.1	18.0	36.6	112.9
Percentage growth (O acc)		%				
30 Jun 2015 – 30 Jun 2016		-0.6				
30 Jun 2014 – 30 Jun 2015		10.9				
30 Jun 2013 – 30 Jun 2014		0.1				
30 Jun 2012 – 30 Jun 2013		12.6				
30 Jun 2011 – 30 Jun 2012		-1.3				

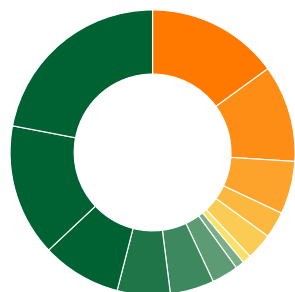
Source: Ruffer LLP, FTSE International (FTSE)*

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.

Share price as at 31 August 2016	p
O accumulation	429.36
O income	296.00
C accumulation	434.68
C income	299.79

CF Ruffer Total Return Fund as at 31 August 2016

Portfolio structure



Asset allocation	%		%
● Non-UK index-linked	22	● Japan equities	15
● Long-dated index-linked gilts	15	● UK equities	11
● Index-linked gilts	9	● North America equities	6
● Gold and gold equities	6	● Europe equities	3
● Cash	5	● Asia ex-Japan equities	3
● Protective illiquid strategies	3	● Growth illiquid strategies	1
● Options	1		



Currency allocation	%
● Sterling	80
● Gold	6
● Yen	5
● US dollar	3
● Euro	1
● Other	5

5 largest of 20 bond holdings

Stock	% of fund	Stock	% of fund
US TIPS 0.125% 2022	4.6	Sumitomo Mitsui Financial	2.2
UK Treasury index-linked 1.25% 2055	4.2	Mitsubishi UFJ Financial	1.7
UK Treasury index-linked 0.375% 2062	4.1	T&D	1.7
UK Treasury index-linked 1.875% 2022	4.0	BP	1.6
UK Treasury index-linked 0.125% 2024	3.5	Mizuho Financial	1.3

5 largest of 86 equity holdings*

Stock	% of fund
Sumitomo Mitsui Financial	2.2
Mitsubishi UFJ Financial	1.7
T&D	1.7
BP	1.6
Mizuho Financial	1.3

Source: Ruffer LLP

*Excludes holdings in pooled funds

The views expressed in this report are not intended as an offer or solicitation for the purchase or sale of any investment or financial instrument. The views reflect the views of Ruffer LLP at the date of this document and, whilst the opinions stated are honestly held, they are not guarantees and should not be relied upon and may be subject to change without notice.

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 £3,074.2m

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	1.24	1.24
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	
	O class	C class
ISIN	GB0009684100 (acc)	GB00B80L7V87 (acc)
	GB0009684878 (inc)	GB00B58BQH88 (inc)
SEDOL	0968410 (acc)	B80L7V8 (acc)
	0968487 (inc)	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

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. 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 2016, assets managed by the Ruffer Group exceeded £20.0bn, of which over £10.9bn was managed in open-ended Ruffer funds.

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