

CF Ruffer Total Return Fund

Positive absolute returns with low volatility



September 2017 Issue 176

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

During September, the fund price fell by 0.4%. This compares with a fall of 0.4% in the FTSE All-Share Index and a 2.6% fall in the FTSE All-Stocks Index (both figures total returns in sterling).

September was rather a noisy month in the UK. The noise we allude to is not so much to the clatter of politicians returning from their summer break and getting stuck into the Brexit debate, nor is it the triumphalist cheers echoing out of Brighton from the Labour Party conference, though both were equally loud and disconcerting. Instead, we mean September's change of tack on interest rates by the Bank of England and the ensuing reaction in financial markets. By stating that 'monetary policy could need to be tightened by a somewhat greater extent... than current market expectations', the Monetary Policy Committee (MPC) has signalled its growing concerns on inflation. With UK inflation surprising on the upside during the month, (CPI rose to 2.9% and RPI ex mortgages hit 4.1%), the MPC is caught between wanting to keep monetary policy very loose, due to Brexit concerns and weak wage growth, and the uncomfortable fact that inflation is persistently above target levels and may well rise further.

In the short-term, given how expensive government bonds are, any hint of a shift upwards in interest rates was bound to hit gilts, whether index-linked or not. Duration in our long-dated linkers always amplifies short-term moves – so the 2055 linker fell some 10% on the shift in rate views, while sterling rose about 5%. We had prepared for this by holding UK interest rate options and rate sensitive equities (banks and cyclicals) to help offset any short-term pain.

There are risks that a reversal of the emergency 0.25% cut, and a possible further rise next year, could prove insufficient to keep the inflation genie in the bottle, or be more than the UK economy can bear. Our assumption is for the former, interest rates rise a little, but as they do so, higher inflation actually shifts *real* interest rates lower. The latter outcome is possible, but we think that this comes later as further rate rises are attempted in response to stubborn inflation. At this point it becomes clear that there is little the authorities can do to stave off inflation and markets are likely to react accordingly.

Hence our description of last month's moves as 'noise' in the journey towards higher inflation and lower real interest rates. Nevertheless, it is 'noise' that needs to be guarded against as it can impact short-term performance and make it harder to hold on to the 'crown jewels' that are long-dated index-linked gilts. This lies behind our preoccupation with offsets to protect the portfolio. In the end, we see inflation on a rising path, with any interest rate rises both 'behind the curve' (so real interest rates do not rise), and eventually capped by what an indebted economy, addicted to low rates, can bear. At that point it will be clear that there is no brake on inflation and investors will suddenly, and urgently, see the need for protection. This is why we hold index-linked bonds.

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 %	September 2017	Year to date	1 year	3 years	5 years	10 years	
O accumulation shares	-0.4	-1.8	0.0	15.5	31.7	105.1	
Percentage growth (O acc)	%		Share price as at 29 September 2017				
30 Sep 2016 – 30 Sep 2017	0.0		O accumulation				429.08
30 Sep 2015 – 30 Sep 2016	12.9		O income				288.51
30 Sep 2014 – 30 Sep 2015	2.3		C accumulation				435.76
30 Sep 2013 – 30 Sep 2014	2.6		C income				293.15
30 Sep 2012 – 30 Sep 2013	11.1						

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.

CF Ruffer Total Return Fund as at 29 September 2017

Asset allocation



Asset allocation

● Non-UK index-linked	14
● Long-dated index-linked gilts	13
● Index-linked gilts	12
● Cash	8
● Gold and gold equities	5
● Illiquid strategies	3
● Options	1
● Japan equities	17
● UK equities	13
● North America equities	8
● Europe equities	3
● Asia ex-Japan equities	3
Currency allocation	
● Sterling	75
● Yen	10
● US dollar	6
● Gold	5
● Euro	1
● Other	3

Currency allocation



10 largest of 88 equity holdings*

Stock	% of fund
Lloyds Banking Group	1.9
BP	1.9
Mitsubishi UFJ Financial	1.8
Sumitomo Mitsui Financial	1.7
Dai-ichi Life Insurance	1.6
T&D	1.5
Sony	1.4
Vivendi	1.1
HeidelbergCement	1.1
Resona Holdings	1.0

5 largest of 15 bond holdings

Stock	% of fund
UK Treasury index-linked 1.875% 2022	5.2
UK Treasury index-linked 0.125% 2024	4.8
US TIPS 0.125% 2022	4.0
UK Treasury index-linked 1.25% 2055	3.8
UK Treasury index-linked 0.375% 2062	3.6

*Excludes holdings in pooled funds
Source: Ruffer LLP

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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 £3,110.4m

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	1.61	1.61
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

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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 30 September 2017, assets managed by the Ruffer Group exceeded £21.7bn, of which over £12.9bn was managed in open-ended Ruffer funds.

Enquiries

Ruffer LLP +44 (0)20 7963 8254
80 Victoria Street rif@ruffer.co.uk
London
SW1E 5JL www.ruffer.co.uk

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