

# Ruffer Total Return International

Positive returns with low volatility



C class July 2015 Issue 49

During July the fund price fell by 0.2%. This compared with a rise of 2.4% in the FTSE All-Share Index and a gain of 1.6% in the FTSE Govt All-Stocks Index (both figures total returns in sterling).

Confusion reigned at the start of the month, as Greece lurched from rebellious referendum to apparent acquiescence but by the end of July markets had moved on, even if no one seems quite sure who has agreed to what. Greece has revealed underlying fault lines in the euro construct, cracks that could become more threatening if a larger economy were faced with similar problems less easily contained within the balance sheets of the authorities. It also highlights the unattractiveness of two of Reinhart and Sbrancia's\* five potential means of reducing a debt burden; namely austerity or restructuring/default. This leaves the options of (i) real growth, (ii) inflation or (iii) prolonged financial repression as realistic routes out of the mire of global debt. According to the BIS, global debt is now some \$200 trillion, up from \$142 trillion in 2007, and now 286% of global GDP compared to 269% in 2007. We feel it is prudent to protect both against inflation and financial repression through index-linked bonds, as well as having some exposure to the possibility that we might grow out of our debt problems (equities).

July saw extreme volatility in the local Chinese stock markets, with indices trading in a 28% range as the authorities attempted to command an orderly deleveraging. Meanwhile, the sharp fall in commodity prices, which, unlike Chinese equities, have no cushion of a recent boom against which to set current losses, inflicted further pain on the economies, companies and investors exposed to this area. The oil price fell about 20% and copper and soft commodities by 10%, moves which call into question the underlying strength of global demand, and by extension, the prospect of option (i) above (real growth) playing a leading role in any long term debt reduction. July's sell off also extended to gold bullion, down 6% in the month. Longer term gold may still play a protective role in the portfolio, especially if the US comes to tire of dollar strength, but for the moment it has few friends. With our long-dated index-linked bonds cast to play the lead role in any inflationary solution to the debt burden (options (ii) and (iii) above) our gold exposure has been reduced to below 3% of the portfolio, though we retain some upside optionality in the form of gold mining stocks.

Overall this month, markets recovered some poise, as the latest Greek crisis was deemed to have passed and commodity falls can be viewed either as warnings on future growth or as a boost to consumers' spending power. This leaves investors free to fret over the likely path of US and UK interest rates and the degree to which equity and bond markets are prepared for any rise, however small or well signalled. This looks set to be the topic du jour for the rest of this year, though history may view it as mere background noise in the story of our indebted times. All the same, holdings in UK banks should hopefully provide positive returns in the event that the UK economy maintains the momentum that would allow for Mark Carney and the rest of the MPC to raise interest rates.

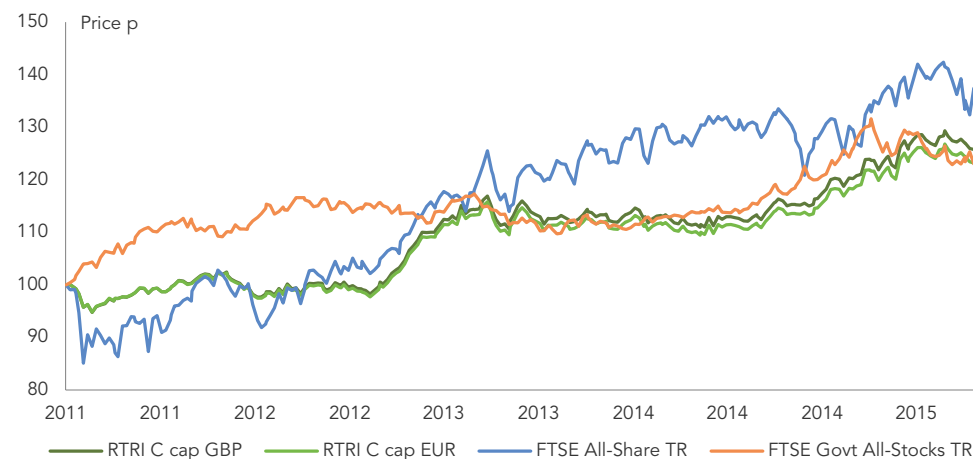
\*Reinhart and Sbrancia, 'The Liquidation of Government Debt', National Bureau of Economic Research, 2011

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## Investment objective

The investment objective of Ruffer Total Return International ('the fund') is to achieve positive returns with low volatility from an actively managed portfolio. The fund may have exposure to the following asset classes: cash, debt securities of any type (including government and corporate debt), equities and equity related securities and commodities (including precious metals). Pervading this objective is a fundamental philosophy of capital preservation.

## Performance since launch on 14 July 2011 – C class shares



Performance %	July 2015	Year to date	1 year	3 years	5 years	10 years
C GBP capitalisation shares	-0.2	5.4	12.1	27.6	na	na

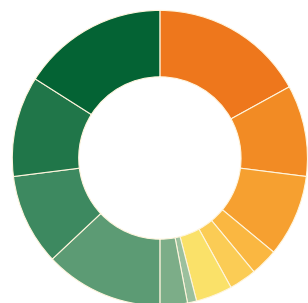
Percentage growth (C GBP cap)	%	Share price as at 31 July 2015
30 Jun 2014 – 30 Jun 2015	12.7	CHF capitalisation <b>121.79</b>
30 Jun 2013 – 30 Jun 2014	0.3	EUR capitalisation <b>124.10</b>
30 Jun 2012 – 30 Jun 2013	13.3	EUR distribution <b>122.72</b>
30 Jun 2011 – 30 Jun 2012	na	GBP capitalisation <b>126.74</b>
30 Jun 2010 – 30 Jun 2011	na	GBP distribution <b>124.42</b>
		GBP income <b>126.74</b>
		USD capitalisation <b>125.12</b>
		USD distribution <b>123.93</b>

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.

# Ruffer Total Return International as at 31 July 2015

## Portfolio structure



Asset allocation	%		%
● Non-UK index-linked	16	● Japan equities	17
● Index-linked gilts	11	● UK equities	10
● Long-dated index-linked gilts	10	● North America equities	9
● Cash	13	● Europe equities	3
● Gold and gold equities	3	● Asia ex-Japan equities	3
● Options	1	● Illiquid strategies	4



Currency allocation	%
● Sterling	76
● US dollar	8
● Yen	7
● Gold	3
● Euro	2
● Other	4

## 5 largest of 8 bond holdings

Stock	% of fund	Stock	% of fund
UK Treasury index-linked 0.125% 2068	6.8	Dai-ichi Life Insurance	3.5
UK Treasury index-linked 1.875% 2022	5.8	Mizuho Financial	2.6
US TIPS 0.625% 2021	5.6	Mitsubishi UFJ Financial	2.3
US TIPS 1.25% 2020	4.9	Sumitomo Mitsui Financial	2.1
UK Treasury index-linked 0.125% 2019	4.8	Lloyds Banking Group	1.9

Source: Ruffer LLP

## 5 largest of 63 equity holdings\*

Stock	% of fund
Dai-ichi Life Insurance	3.5
Mizuho Financial	2.6
Mitsubishi UFJ Financial	2.3
Sumitomo Mitsui Financial	2.1
Lloyds Banking Group	1.9

\* Excludes holdings in pooled funds

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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.

Fund size **£1,185.6m**

## Fund information

	%																								
Ongoing Charges Figure*	1.16-1.23																								
Annual management fee (C class)	1.2																								
Maximum subscription fee	5.0																								
Minimum investment (or equivalent in CHF, EUR, SEK or USD)	£10,000,000																								
Record date	Third Monday of November																								
Ex dividend dates	Next NAV following the record date																								
Payment	Within five business days after ex dividend date																								
Dealing	Weekly, every Thursday (if not a business day, on the following business day) Plus on the first business day of each month																								
Cut-off	4pm Luxembourg time on the day before valuation day (so typically Tuesday and the penultimate business day of the month)																								
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Structure Sub fund of Ruffer SICAV, a Luxembourg domiciled UCITS SICAV

Management company, administrative agent, registrar and transfer agent, paying and domiciliary agent FundPartner Solutions (Europe) S.A.

Investment manager Ruffer LLP

Custodian Pictet & Cie (Europe) S.A.

Auditors Ernst & Young S.A.

\* Specific share classes available on request

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## Fund Managers

### Jacques Hirsch

INVESTMENT DIRECTOR

Joined Ruffer in 2011, previous work included fund management and macro research at Goldman Sachs, GLG Partners and Fulcrum Asset Management. He graduated from École Centrale Paris in 1999, and holds an MSc in Mathematics from Oxford University.



### Alex Lennard

INVESTMENT DIRECTOR

Joined Ruffer in 2006 after graduating from Exeter University with an honours degree in economics and finance; he is a member of the Chartered Institute for Securities & Investment.



## Ruffer LLP

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