

Ruffer Total Return International

Positive returns with low volatility



C class April 2016 Issue 58

During April the fund price rose by 0.1%. This compared with a rise of 1.1% in the FTSE All-Share Index and a decline of 1.2% in the FTSE All-Stocks Index (both figures total returns in sterling).

We have previously remarked, only partly in jest, that in a world where zero interest rates (or even lower) are the norm, eventually the return on other financial assets might turn out to be zero too. Which may explain why so many previously successful hedge funds have now thrown in the towel. So far stock markets appear to be doing their best to adhere to this rather depressing roadmap. After the sharp falls seen across equities earlier this year, aided by either soothing words or inaction from central banks, most markets have made their way back to par, but show little enthusiasm for further gains.

Tempting as it is to declare premature vindication of the zero return hypothesis, a more likely explanation lies in investors' uncertainty as to whether we face the perceived failure or normalisation of monetary policy. Unfortunately neither path appears particularly attractive for stock markets. If global growth is strong enough to bear higher interest rates (initially in the US) then dollar strength and rising discount rates may undermine any short term progress. Whilst if monetary policy is seen to have failed, the progression to the likely next step, fiscal intervention, is fraught with dangers against which, in our view, only inflation-linked bonds stand sentry.

As we write, such issues appear to be playing out most clearly in Japan, where Bank of Japan Governor Kuroda must feel he is 'damned if you do, damned if you don't' whichever way he turns. His imposition of negative interest rates earlier this year received a resounding thumbs down from so in response he sat on his hands in April, only to find his inaction greeted by the same negative response. However, we believe the Japan story is still taking shape, and such missteps as we have seen recently will merely hasten the path to more reflationary fiscal intervention. This could perhaps come as soon as the G7 meeting hosted in Tokyo at the end of May and could be the catalyst for a recovery in a market that is both attractively valued and now shunned by overseas investors. So for now we are keeping our exposure to Japan largely intact, relieved that any setbacks there have so far been offset by gains in our index-linked bonds and gold holdings (which we added to earlier in the year).

Meanwhile, it would be remiss of us not to pass some comment on the political events playing out. We note that not only are zero interest rates far from a universal panacea for financial markets, but western electorates also seem remarkably resistant to their curative powers. People everywhere are disillusioned with politicians and policies that reflect this mood. Such a move towards populism normally brings with it some unwelcome outcomes, but it also points towards a world less willing to rely on the benevolence of central banks and focused more on the direct intervention of elected governments in striving for either growth or inflation.

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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 %	April 2016	Year to date	1 year	3 years	5 years	10 years
C GBP capitalisation shares	0.1	1.0	-4.1	6.8	na	na

Percentage growth (C GBP cap)	%	Share price as at 30 April 2016
31 Mar 2015 – 30 Apr 2016	-2.9	C CHF capitalisation 116.53
31 Mar 2014 – 31 Mar 2015	12.0	C EUR capitalisation 119.24
31 Mar 2013 – 31 Mar 2014	-0.4	C EUR distribution 117.91
31 Mar 2012 – 31 Mar 2013	10.9	C GBP capitalisation 122.24
31 Mar 2011 – 31 Mar 2012	na	C GBP distribution 119.99
		C GBP income 119.75
		C USD capitalisation 120.66
		C USD distribution 119.51

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 30 April 2016

Portfolio structure



Asset allocation	%		%
● Non-UK index-linked	19	● Japan equities	16
● Long-dated index-linked gilts	12	● North America equities	10
● Index-linked gilts	10	● UK equities	9
● Gold and gold equities	8	● Europe equities	2
● Short-dated bonds	5	● Asia ex-Japan equities	2
● Cash	4		
● Illiquid strategies	3		



Currency allocation	%
● Sterling	73
● Gold	8
● US dollar	7
● Yen	6
● Euro	2
● Other	4

5 largest of 13 bond holdings

Stock	% of fund
UK Treasury index-linked 0.125% 2068	7.2
UK Treasury index-linked 1.875% 2022	5.1
US TIPS 0.75% 2042	4.9
US TIPS 1.25% 2020	4.9
UK Treasury index-linked 0.125% 2019	4.5

Source: Ruffer LLP

5 largest of 59 equity holdings*

Stock	% of fund
ORIX	1.9
Mitsui Fudosan	1.9
The Boeing Company	1.8
Dai-ichi Life Insurance	1.8
BP	1.7

* 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 **£1,430.4m**

Fund information

		%
Ongoing Charges Figure*		1.21
Maximum 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)	
ISIN and SEDOL	CHF C cap LU0638557743 B45L1M4 EUR C cap LU0638557669 B4MRCS8 EUR C dis LU0779208544 B8BHY14 GBP C cap LU0638557586 B4XQ109 GBP C dis LU0638558048 B4X19Y4 GBP C inc LU1220904186 BWXC1G9 USD C cap LU0638557826 B4WPBZ2 USD C dis LU0779208890 B8BHY81	

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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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

Ruffer LLP manages investments on a discretionary basis for private clients, trusts, charities and pension funds. As at 30 April 2016, assets managed by the Ruffer Group exceeded £18.0bn, of which over £9.5bn was managed in open-ended Ruffer funds.

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