

Ruffer Total Return International

Positive returns with low volatility



C class September 2017 Issue 75

During September, the fund price fell by 0.8%. 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 for 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 cyclical) 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.

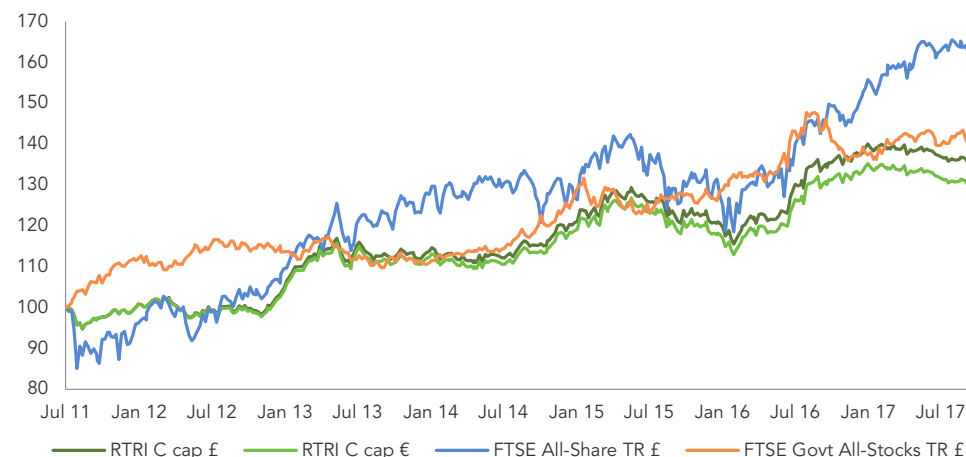
Hence our description of last month's moves as 'noise' in the journey towards higher inflation and lower real interest rates. Nevertheless, it is 'noise' that needs to be guarded against as it can impact short-term performance and make it harder to hold on to the 'crown jewels' that are long-dated index-linked 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.

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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



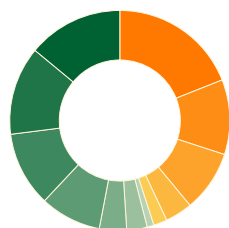
Performance %	September 2017	Year to date	1 year	3 years	5 years	10 years
C GBP capitalisation shares	-0.8	-1.8	1.1	17.7	35.9	na
Percentage growth (C GBP cap)		%		Share price as at 30 September 2017		
30 Sep 2016 – 30 Sep 2017		1.1	C CHF capitalisation			126.37
30 Sep 2015 – 30 Sep 2016		11.3	C EUR capitalisation			130.25
30 Sep 2014 – 30 Sep 2015		4.6	C EUR distribution			128.72
30 Sep 2013 – 30 Sep 2014		2.6	C GBP capitalisation			135.73
30 Sep 2012 – 30 Sep 2013		12.5	C GBP distribution			133.09
			C GBP income			131.88
			C USD capitalisation			134.88
			C USD distribution			133.48

Source: Ruffer LLP, FTSE International Limited (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.

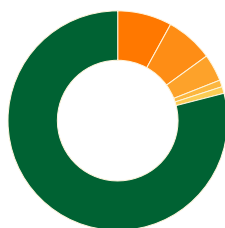
Ruffer Total Return International as at 30 September 2017

Asset allocation



Asset allocation	%
Index-linked gilts	14
Long-dated index-linked gilts	13
Non-UK index-linked	11
Cash	9
Gold and gold equities	4
Illiquid strategies	3
Options	1
Japan equities	19
UK equities	11
North America equities	9
Europe equities	4
Asia ex-Japan equities	2
Currency allocation	
Sterling	79
Yen	8
US dollar	7
Gold	4
Euro	1
Other	1

Currency allocation



10 largest of 66 equity holdings*

Stock	% of fund
Dai-ichi Life Insurance	3.3
Mitsubishi UFJ Financial	2.1
Sumitomo Mitsui Financial	2.1
ORIX	2.0
Lloyds Banking	2.0
Sony	1.9
Walt Disney	1.5
HeidelbergCement	1.4
Mizuho Financial	1.3
Tesco plc	1.3

5 largest of 9 bond holdings

Stock	% of fund
UK Treasury index-linked 1.875% 2022	9.0
UK Treasury index-linked 0.125% 2068	7.3
UK Treasury index-linked 0.375% 2062	5.8
US TIPS 1.25% 2020	4.9
UK Treasury index-linked 0.125% 2019	4.9

*Excludes holdings in pooled funds
Source: Ruffer LLP

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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 £2,220.4m

Fund information

Ongoing Charges Figure*	1.12	%
Maximum annual management fee (C class)	1.2	
Maximum subscription fee	5.0	
Minimum investment (or equivalent in other currency)	£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 Wednesday (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

Depository bank Pictet & Cie (Europe) S.A.

Auditors Ernst & Young S.A.

* As at 31 Dec 2016. Specific share classes available on request

The base currency of the fund is GBP. Share classes denominated in other currencies are hedged to reduce the impact on your investment of movements in the exchange rate between the base currency of the fund (GBP) and the currency of the share class.

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

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