

Ruffer Total Return International

Positive returns with low volatility



C class October 2017 Issue 76

During October, the fund price rose by 1.1%. This compares with an increase of 1.9% in the FTSE All-Share Index and a rise of 0.3% in the FTSE All-Stocks Index (all figures total returns in sterling).

Japanese equities were the top performers for the month contributing 1% to the return as the Nikkei hit a 22 year high. While there was some damage to the credibility of Japan Inc's corporate governance record, with scandals unearthed at Kobe Steel and Nissan (neither company is held in the portfolio), Abe's resounding victory in the snap election (his fifth victory in a row) helped drive returns and he now looks set to become the country's longest serving prime minister. The parallels with recent elections in other parts of the world were alarming – an 'unnecessary' election called by the incumbent, an attempt to consolidate power from a position of strength while the opposition were in disarray and the rise of a new populist political force (Koike's Party of Hope) in opposition. These concerns proved unfounded. Abe won a super-majority allowing him to proceed with his program of economic reform and perhaps in time embark upon constitutional reform to allow Japan to build an army rather than merely a self-defence force. Our belief is that this latter change will only be done from a position of economic strength and so the economic agenda will take precedence. What was perhaps more interesting than the result of the election was the fact that the opposition was proposing more extreme versions of Abenomics – economic liberalism, sales of state-owned assets and ultra-loose monetary policy. Koike also pushed to abandon the increase in the sales tax due in 2019. This may give Abe some latitude to backtrack on the increase; a move which would be taken well by the market.

Putting all this together, Japan stands in stark contrast to western economies. It shares the characteristic of improving economic growth and business confidence, but is a country with political stability, a cheap equity market and ultra-loose monetary policy with no indication of a change of tack from the Bank of Japan. This is an intensely interesting combination, which we have sought to exploit by investing in both companies that will benefit from an improving domestic backdrop (cash heavy companies, civil engineering) and those set to gain from global economic growth. Japan is far from immune from a global downturn, but in terms of places to take equity market risk it still comes out on the top of the pile, despite recent strong performance.

The month was also notable for the correlated rise across asset classes. Within the fund only the option book posted a negative return, which serves to emphasise the importance of this part of the portfolio in acting as an offset and genuine protective asset class. We have long been concerned about cross-asset correlation as all boats have floated on the rising tide of loose monetary policy. Such a correlation will likely work in reverse, hence we maintain our position in these protective assets.

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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 % | October 2017 | Year to date | 1 year | 3 years | 5 years | 10 years |
|-------------------------------|--------------|----------------------|--------|-----------------------------------|---------|----------|
| C GBP capitalisation shares | 1.1 | -0.7 | 0.0 | 17.9 | 38.2 | na |
| Percentage growth (C GBP cap) | | % | | Share price as at 31 October 2017 | | |
| 30 Sep 2016 – 30 Sep 2017 | 1.1 | C CHF capitalisation | | 127.59 | | |
| 30 Sep 2015 – 30 Sep 2016 | 11.3 | C EUR capitalisation | | 131.55 | | |
| 30 Sep 2014 – 30 Sep 2015 | 4.6 | C EUR distribution | | 130.00 | | |
| 30 Sep 2013 – 30 Sep 2014 | 2.6 | C GBP capitalisation | | 137.19 | | |
| 30 Sep 2012 – 30 Sep 2013 | 12.5 | C GBP distribution | | 134.52 | | |
| | | C GBP income | | 133.30 | | |
| | | C USD capitalisation | | 136.43 | | |
| | | C USD distribution | | 135.02 | | |

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 31 October 2017

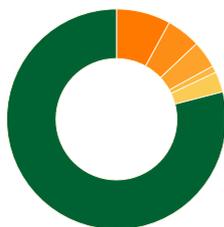
Asset allocation



| Asset allocation | % |
|---------------------------------|----|
| ● Cash | 14 |
| ● Long-dated index-linked gilts | 13 |
| ● Non-UK index-linked | 11 |
| ● Index-linked gilts | 8 |
| ● Gold and gold equities | 4 |
| ● Illiquid strategies | 3 |
| ● Japan equities | 19 |
| ● UK equities | 11 |
| ● North America equities | 9 |
| ● Europe equities | 6 |
| ● Asia ex-Japan equities | 2 |

| Currency allocation | % |
|---------------------|----|
| ● Sterling | 79 |
| ● Yen | 8 |
| ● US dollar | 5 |
| ● Gold | 4 |
| ● Euro | 1 |
| ● Other | 3 |

Currency allocation



10 largest of 65 equity holdings*

| Stock | % of fund |
|---------------------------|-----------|
| Dai-ichi Life Insurance | 3.5 |
| Mitsubishi UFJ Financial | 2.3 |
| Sumitomo Mitsui Financial | 2.2 |
| ORIX | 2.1 |
| Lloyds Banking | 2.0 |
| Sony | 1.9 |
| Tesco plc | 1.6 |
| Walt Disney | 1.4 |
| HeidelbergCement | 1.4 |
| Mizuho Financial | 1.3 |

5 largest of 9 bond holdings

| Stock | % of fund |
|--------------------------------------|-----------|
| 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 | 4.8 |
| UK Treasury index-linked 1.875% 2022 | 3.5 |

*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 £2,257.1m

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 31 October 2017, assets managed by the Ruffer Group exceeded £22.1bn, of which over £13.2bn was managed in open-ended Ruffer funds.

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