

Ruffer Total Return International

Positive returns with low volatility

During August the fund price fell by 1.9%. This compared with a fall of 5.3% in the FTSE All-Share Index and a gain of 0.3% in the FTSE Government All-Stocks Index (both figures total returns in sterling).

The apparent solution of one problem in markets often brings another unrelated one in its wake; a sort of financial ‘whack-a-mole’. No sooner had Greece been deemed solved (for the moment), than a small currency devaluation by the Chinese authorities inspired a torrent of panic about slowing Chinese economic growth, deflationary risks, and further currency wars. Whether absolutely reliable or not, economic data from China had been pointing to a deceleration in growth for some time, and while falling commodity prices are linked with increased supply, as with shale oil, lower Chinese demand has also been an influence. These concerns, arriving simultaneously with the latest game of ‘will they, won’t they?’ from the Federal Reserve, drove equities sharply lower and roused volatility from its previous slumbers.

Although we have long been concerned about the possibility of a major correlated sell-off in which protections could be hard to find, we are not convinced that we are yet at such a point. Economic growth remains respectable in the US and UK, and even in the eurozone easing credit conditions and falling energy prices are bringing about a recovery of sorts. However, more worryingly, last month’s trading patterns drew attention to the presence in several asset classes of crowded trades and limited liquidity, making the reversal of such positioning only feasible at much lower prices, if at all. August witnessed several examples whereby sub-sectors of the financial system practically seized up, forcing investors to implement alternate strategies in the absence of being able to execute those originally contemplated. Double-digit falls witnessed in many US blue-chip equities at the market open on August 24 were the precise consequence of investors being unable to hedge positions in the futures market, which had temporarily ceased to function. It is a notable unintended consequence of the post-2008 desire to make investment banks ‘safer’ by telling them to shrink, that certain asset markets are now more treacherous given lower liquidity. This phenomenon has been exacerbated by central banks’ asset purchase programmes, with high quality assets worth billions of pounds now effectively out of circulation. Thus ‘flash crashes’, partial market seizures and spikes in volatility will likely be part of the investment scene going forward.

While registering a loss is always disappointing it was somewhat heartening to see that in August there was at least an element of mitigation from the fund’s protective positions, concentrated in call options on the VIX. Elsewhere the portfolio’s equity holdings lost ground, and with deflationary fears abounding inflation-linked bonds declined slightly as falling inflation breakevens offset lower nominal yields. Without seeking excuses, we are acutely aware that the biggest challenge to our style of investment is finding appropriate and genuinely uncorrelated offsets to our equity holdings. This is especially true when many traditional havens have forfeited their safety by dint of price. The old adage that at times of extreme stress the only thing that goes up is correlation, remains unfortunately true.

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O class August 2015 Issue 50

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 – O class shares



Performance %	August 2015	Year to date	1 year	3 years	5 years	10 years
O GBP capitalisation shares	-1.9	3.2	7.1	23.8	na	na
Percentage growth (O GBP cap)		%		Share price as at 31 August 2015		
30 Jun 2014 – 30 Jun 2015		12.4		CHF capitalisation 117.92		
30 Jun 2013 – 30 Jun 2014		0.0		EUR capitalisation 120.19		
30 Jun 2012 – 30 Jun 2013		12.9		GBP capitalisation 122.73		
30 Jun 2011 – 30 Jun 2012		na		USD capitalisation 121.18		
30 Jun 2010 – 30 Jun 2011		na				

Source: Ruffer LLP

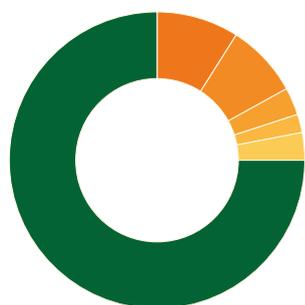
Ruffer performance is shown after deduction of all fees and management charges, and on the basis of income being reinvested. Past performance is not a guide to future performance. The value of the shares and the income from them can go down as well as up and you may not get back the full amount originally invested. The value of overseas investments will be influenced by the rate of exchange.

Ruffer Total Return International as at 31 August 2015

Portfolio structure



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



Currency allocation	%
● Sterling	75
● Yen	9
● US dollar	8
● Gold	3
● Euro	2
● Other	3

5 largest of 8 bond holdings

Stock	% of fund	Stock	% of fund
UK Treasury index-linked 0.125% 2068	6.6	Dai-ichi Life Insurance	3.1
UK Treasury index-linked 1.875% 2022	5.6	Mizuho Financial	2.5
US TIPS 0.625% 2021	5.5	Mitsubishi UFJ Financial	2.4
US TIPS 1.25% 2020	4.8	Sumitomo Mitsui Financial	2.3
UK Treasury index-linked 0.125% 2019	4.7	Lloyds Banking	1.8

Source: Ruffer LLP

5 largest of 63 equity holdings*

Stock	% of fund
Dai-ichi Life Insurance	3.1
Mizuho Financial	2.5
Mitsubishi UFJ Financial	2.4
Sumitomo Mitsui Financial	2.3
Lloyds Banking	1.8

* 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 £1,213.9m

Fund information

Ongoing Charges Figure	1.49
Annual management fee (O class)	1.5
Maximum subscription fee	5.0
Minimum investment (or equivalent in CHF, EUR, SEK or USD)	£1,000
O share classes	Capitalisation only (equivalent to accumulation)
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 O cap LU0638558808 B4R1SD2 EUR O cap LU0638558717 B42NV78 GBP O cap LU0638558634 B41Y053 GBP O cap LU0638558980 B449LX0
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.

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

Ruffer LLP manages investments on a discretionary basis for private clients, trusts, charities and pension funds. As at 31 August 2015, assets managed by the Ruffer Group exceeded £18.2bn, of which over £8.8bn was managed in open-ended Ruffer funds.

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