

Ruffer Total Return International

Positive returns with low volatility



O class August 2016 Issue 62

During August the fund price increased by 3.2%. This compared with a rise of 1.9% in the FTSE All-Share Index and a rise of 2.7% in the FTSE All-Stocks Index (both figures total returns in sterling).

‘Omnia vincit amor’ wrote Virgil, and the recent experience of today’s investors is that the present all-conquering force is not love but interest rates. A further interest rate cut to 0.25% by the Bank of England in August, alongside a restarting of its quantitative easing programme, has for the moment banished any post-Brexit blues; it has also driven bonds yields down, and brought about an 11% rally in the FTSE All-Share as measured from the day after the EU referendum. Even the UK’s Purchasing Managers’ Indices for the manufacturing and service sectors have recovered the ground lost since the vote. However, all this is in the nature of a phoney war; the tautology of ‘Brexit means Brexit’ was never more than a linguistic device to see the government over the summer recess; in terms of what Brexit really represents the real work starts now, and statements from the Japanese and US governments from the G20 meeting in China highlight the delicate balancing act ahead in terms of preserving market access while genuflecting towards the electorate’s desire for a greater control on immigration.

The new(ish) UK Chancellor, as well as pushing back yet further the government’s timing for achieving a balanced budget, has also introduced the word ‘reset’ into the lexicon as regards fiscal policy. We strongly suspect that this roughly translates as cover for fiscal expansion in the autumn. Moreover with interest rates now so low, gains from even looser monetary policy will be vanishingly small. Either way, we feel certain that any such fiscal expansion would be sure to drive up inflation expectations from their present somnolent levels. It is worth noting that asset markets are presently exhibiting their lowest levels of volatility for 20 years; with September offering potentially pivotal US Federal Reserve and Bank of Japan meetings, and the autumn the US presidential election and the Italian referendum on constitutional reform, it seems hard to believe things will stay that way, and that is even before consideration of general elections next year in France and Germany.

A further reason why we see greater fiscal activism in the UK as inevitable, alongside that already under way in Canada and Japan, is that there is a significant negative unintended consequence to yet easier monetary policy here, and one that is growing in profile and prominence. Collapsing bond yields, by lowering discount rates, have caused a surge in UK companies’ pension deficits. Increased pension liabilities will pressure corporate budgets, when political uncertainty is probably already causing a pause for thought around investment intentions. Last week saw the UK company Carclo announce that it would be unable to pay an already declared dividend, precisely because of the rise in its pension deficit. Further evidence perhaps that the time has come for central banks to focus on lowering real interest rates, not just nominal ones.

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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 – O class shares



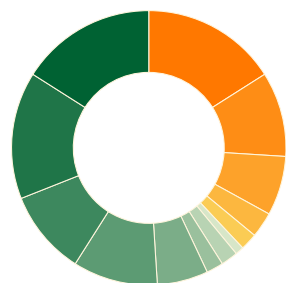
Performance %	August 2016	Year to date	1 year	3 years	5 years	10 years
O GBP capitalisation shares	3.2	11.6	8.5	19.1	38.9	na
Percentage growth (O GBP cap)	%		Share price as at 31 August 2016			
30 Jun 2015 – 30 Jun 2016	-0.5	O CHF capitalisation		125.82		
30 Jun 2014 – 30 Jun 2015	12.4	O EUR capitalisation		129.00		
30 Jun 2013 – 30 Jun 2014	0.0	O GBP capitalisation		133.12		
30 Jun 2012 – 30 Jun 2013	12.9	O USD capitalisation		131.10		
30 Jun 2011 – 30 Jun 2012	na					

Source: Ruffer LLP, FTSE International (FTSE)†

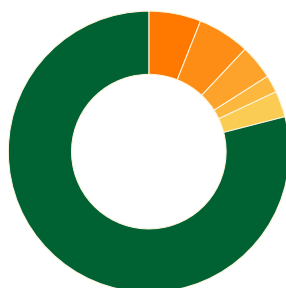
Ruffer performance is shown after deduction of all fees and management charges, and on the basis of income being reinvested. Past performance is not a guide to future performance. The value of the shares and the income from them can go down as well as up and you may not get back the full amount originally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

Ruffer Total Return International as at 31 August 2016

Portfolio structure



Asset allocation	%		%
● Non-UK index-linked	16	● Japan equities	16
● Long-dated index-linked gilts	15	● UK equities	10
● Index-linked gilts	10	● North America equities	7
● Short-dated bonds	2	● Europe equities	3
● Cash	10	● Asia ex-Japan equities	2
● Gold and gold equities	6		
● Protective illiquid strategies	2		
● Options	1		



Currency allocation	%
● Sterling	79
● Yen	6
● Gold	6
● US dollar	4
● Euro	2
● Other	3

5 largest of 12 bond holdings

Stock	% of fund
UK Treasury index-linked 0.125% 2068	9.0
UK Treasury index-linked 0.375% 2062	6.2
UK Treasury index-linked 0.125% 2019	5.9
US TIPS 1.25% 2020	4.5
UK Treasury index-linked 1.875% 2022	4.5

Source: Ruffer LLP

5 largest of 58 equity holdings*

Stock	% of fund
Sony	2.0
ORIX	1.9
Dai-ichi Life Insurance	1.8
Mitsubishi UFJ Financial	1.8
Deutsche Post	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 £1,725.5m

Fund information

	%
Ongoing Charges Figure*	1.45-1.46
Maximum annual management fee (O class)	1.5
Maximum subscription fee	5.0
Minimum investment (or equivalent in other currency)	£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 USD 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.

* Specific share classes available on request

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 August 2016, assets managed by the Ruffer Group exceeded £20.0bn, of which over £10.9bn was managed in open-ended Ruffer funds.

Enquiries

Ruffer LLP +44 (0)20 7963 8254
80 Victoria Street rif@ruffer.co.uk
London SW1E 5JL www.ruffer.co.uk

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