

Ruffer Total Return International

Positive returns with low volatility



O 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 – O class shares



Performance %	October 2017	Year to date	1 year	3 years	5 years	10 years
O GBP capitalisation shares	1.1	-1.0	-0.3	16.8	36.0	na
Percentage growth (O GBP cap)	%		Share price as at 31 October 2017			
30 Sep 2016 – 30 Sep 2017	0.7		O CHF capitalisation 125.05			
30 Sep 2015 – 30 Sep 2016	11.0		O EUR capitalisation 128.90			
30 Sep 2014 – 30 Sep 2015	4.3		O GBP capitalisation 134.43			
30 Sep 2013 – 30 Sep 2014	2.2		O USD capitalisation 133.70			
30 Sep 2012 – 30 Sep 2013	12.2					

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 October 2017

Asset allocation



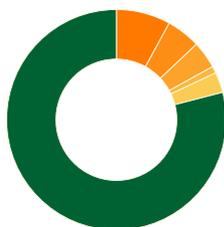
Asset allocation

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

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 information contained in this document does not constitute investment advice and should not be used as the basis of any investment decision. References to specific securities are included for the purposes of illustration only and should not be construed as a recommendation to buy or sell these securities. Ruffer LLP has not considered the suitability of this fund against any specific investor's needs and/or risk tolerance. If you are in any doubt, please speak to your financial adviser.

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*	1.44	%
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 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 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	
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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