

Ruffer Total Return International

Positive returns with low volatility

During December the fund price rose by 1.1%. This compares with a rise of 4.8% in the FTSE All-Share Index and 1.4% in the FTSE Government All-Stocks TR Index.

The return of 2.8% in the final quarter was respectable, but did not make up for an otherwise disappointing year when we only managed to eke out a return of 0.7%. In 2017 all major asset classes rose in value, and data for the last 90 years reveals it as being the only year in which US equities, measured by the S&P index, rose every month. With volatility nailed down at multi-decade lows, momentum was unsurprisingly the most successful investment style. In terms of our equity selection, our upbeat economic views, plus consideration of valuation, took us towards cyclical and financial stocks and away from the 'bond like' equities and technology darlings that provided the market leadership. We were right on the economy, but, in hindsight, wrong that the rise in bond yields that greeted the Trump victory in November 2016 would fizzle out quite so early in 2017 and not revive. While others made far superior returns, we do not regret the positions we held. Reflecting our primary investment objective of capital preservation, we will always hold protective assets; the difference these days in a world of zero interest rates is that they have a cost rather than yielding a small positive return.

President Trump finally chalked up a legislative victory through his tax reform bill. Its headline feature is a reduction in the US corporation tax rate from 35% to 21%; further measures within the package reduce capital allowances over time, and may spur an acceleration of capital expenditures in 2018. For this and other reasons, some have seen the legislation as providing economic stimulus to an economy already near its capacity limits, and as taking unnecessary risks with inflation and public finances. Companies such as Wells Fargo, AT&T and Comcast are all raising employee earnings as a direct response to the measures. Be that as it may, markets preferred to look on the bright side, taking equity and commodity prices generally higher, while bond yields remained broadly quiescent.

As we enter 2018, much of the commentary seems to call for more of the same in terms of the investment backdrop. While we are no more competent at market timing than the next person, we feel such an outcome is unlikely, not least given stability has the inconvenient propensity of begetting instability. If economic growth surges, inflationary bonfires emerge and central banks are deemed to be behind the curve, then our equity selection and interest rate swaptions should perform. If markets fall sharply then while the fund's equity holdings will not be immune from damage, our equity protections should soar. If there is an economic relapse, the likely fiscal response will boost inflation expectations. While we cannot prepare for every eventuality, we are trying to address the difficult questions others are shying away from and we would like to think at least some of the major risks are covered, whilst leaving enough on the table to generate positive returns going forward.

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O class December 2017 Issue 78

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 %	December 2017	Year to date	1 year	3 years	5 years	10 years
O GBP capitalisation shares	1.1	0.7	0.7	15.0	33.1	na
Percentage growth (O GBP cap)	%		Share price as at 31 December 2017			
31 Dec 2016 – 31 Dec 2017	0.7	O CHF capitalisation		126.74		
31 Dec 2015 – 31 Dec 2016	13.9	O EUR capitalisation		130.83		
31 Dec 2014 – 31 Dec 2015	0.3	O GBP capitalisation		136.75		
31 Dec 2013 – 31 Dec 2014	5.7	O USD capitalisation		136.33		
31 Dec 2012 – 31 Dec 2013	9.5					

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 December 2017

Asset allocation



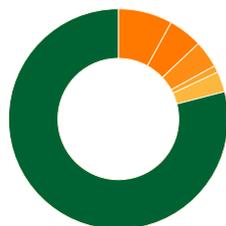
Asset allocation

Asset allocation	%
• Cash	13
• Long-dated index-linked gilts	13
• Non-UK index-linked	12
• Index-linked gilts	8
• Gold and gold equities	4
• Illiquid strategies	3
• Japan equities	19
• UK equities	12
• North America equities	9
• Europe equities	5
• 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 62 equity holdings*

Stock	% of fund
Dai-ichi Life Insurance	3.6
Sumitomo Mitsui Financial	2.4
Mitsubishi UFJ Financial	2.4
Sony	2.1
Tesco	2.0
ORIX	2.0
Lloyds Banking	1.9
Vivendi	1.8
Walt Disney	1.5
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	5.3
UK Treasury index-linked 0.125% 2019	4.5
US TIPS 0.625% 2021	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 £2,357.9m

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 December 2017, assets managed by the Ruffer Group exceeded £22.8bn, of which over £14.0bn 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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