

Ruffer Total Return International

Positive returns with low volatility

During January, the fund price fell by 0.3%. This compares with a fall of 1.9% for the FTSE All-Share Index and a decrease of 2.0% for the FTSE All-Stocks Index (all figures total returns in sterling).

There is currently a tension at the heart of our analysis and this translates into the portfolio: on the one hand we are positive on the global economy, on the other, we are nervous about valuations and the technical fragilities we observe in financial markets.

The momentum of synchronous global growth across all economic zones in 2017 has carried over into 2018. Advanced economies are growing at rates last seen in the early 2000s. Several factors give us confidence this could be sustained for a while longer. Despite the US Federal Reserve raising rates, global financial conditions are getting easier, not tighter. This is attributed to global quantitative easing, a weaker US dollar, rising equity markets and tightening credit spreads. There is a helpful fiscal tailwind across developed markets, given further impetus by President Trump's tax cuts. Labour markets are tightening gradually and we are seeing positive wage inflation. Lastly, a case can be made that we are at a favourable point in the inventory cycle with significant destocking over the last few years. It is for this reason we maintain our equity positions (albeit at an overall low weighting of 43%) and have focussed on cyclical stocks.

With this rose-tinted outlook investors might ask why we are not more bullish? The answer is our concern regarding valuations and technical stresses and skews in financial markets. Most investors accept, after nine years of zero rates and quantitative easing, that valuations across almost all asset classes have reached extraordinary levels. The wall of worry has been demolished and animal spirits are ablaze.

The less obvious risk relates to investment behaviours that have evolved in recent years. Volatility is an obscure financial metric, having morphed from an observed output and barometer of financial stress, into a widely used input for many investment strategies. Goodhart's Law tells us 'when a measure becomes a target, it ceases to be a good measure'. We estimate at least \$1 trillion is, explicitly or implicitly, invested in assets using strategies designed to make money as volatility falls and this leverages exposure to risky assets the more this continues. This self-feeding mechanism is inherently unstable and if events cause a reversal (ie a spike in volatility) the result could be a sharp sell-off in asset markets. This process is exacerbated by the rise of computer-driven trading models and passive investment, both of which are strictly rule-based and unthinking in execution. As such, it seems to us that the seeds of the next financial crisis are in the fund management industry, not the banking system. The last few days of January may provide a hint of what is to come. Unlike bonds in 2008 or old-economy stocks in 2000, there are no conventional moneymaking protective assets in which to hide and thus, despite their uncomfortable cost of carry, we believe our options and illiquid strategies to be absolutely essential.

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○ class January 2018 Issue 79

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 %	January 2018	Year to date	1 year	3 years	5 years	10 years
○ GBP capitalisation shares	-0.3	-0.3	-0.1	11.6	26.0	na
Percentage growth (○ GBP cap)	%		Share price as at 31 January 2018			
31 Dec 2016 – 31 Dec 2017	0.7	○ CHF capitalisation	126.29			
31 Dec 2015 – 31 Dec 2016	13.9	○ EUR capitalisation	130.38			
31 Dec 2014 – 31 Dec 2015	0.3	○ GBP capitalisation	136.40			
31 Dec 2013 – 31 Dec 2014	5.7	○ USD capitalisation	136.11			
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 January 2018

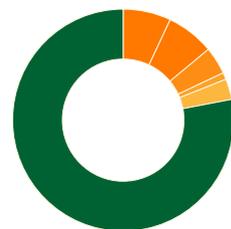
Asset allocation



Asset allocation	%
• Cash	16
• Long-dated index-linked gilts	13
• Non-UK index-linked	12
• Index-linked gilts	8
• Illiquid strategies	4
• Gold and gold equities	4
• Options	1
• Japan equities	17
• UK equities	11
• North America equities	7
• Europe equities	5
• Asia ex-Japan equities	2

Currency allocation	%
• Sterling	78
• US dollar	7
• Yen	7
• Gold	4
• Euro	1
• Other	3

Currency allocation



10 largest of 60 equity holdings*

Stock	% of fund
Dai-ichi Life Insurance	3.4
Mitsubishi UFJ Financial	2.3
Sumitomo Mitsui Financial	2.2
Tesco	2.1
ORIX	2.1
Sony	1.9
Vivendi	1.9
Lloyds Banking	1.9
Mizuho Financial	1.5
Walt Disney	1.4

5 largest of 9 bond holdings

Stock	% of fund
UK Treasury index-linked 0.125% 2068	7.0
UK Treasury index-linked 0.375% 2062	5.6
US TIPS 1.25% 2020	5.1
UK Treasury index-linked 0.125% 2019	4.6
US TIPS 0.625% 2021	3.3

*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 £2,322.5m

Fund information

Ongoing Charges Figure*	1.45	%
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 2017. 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 January 2018, assets managed by the Ruffer Group exceeded £22.7bn, of which over £14.0bn was managed in open-ended Ruffer funds.

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