

# Ruffer Total Return International

Positive returns with low volatility



O class October 2018 Issue 88

The price of the O capitalisation shares of Ruffer Total Return Fund International fell by 2.2% during October, compared with a decline of 5.2% in the FTSE All-Share Index and a rise of 0.9% in the FTSE All Stocks Index.

Eight months on from February's volatility shock, October served to remind investors that risk assets are so called for a reason. Despite a recovery at the end of the month global equities fell by nearly 6% in October and what was notable this time was that the technology giants, which have dominated equity markets this year, led the fall, with the share prices of companies such as Amazon and Netflix down over 20% from their recent highs.

As so often happens after such a drop in equity values, various explanations are proposed. Our overriding concern over the last year or so, and the main driver of our cautious equity allocation, has been that the coming change in central bank policy would not be a smooth one. Monetary tightening from the US Federal Reserve and later this year the tapering of asset purchases by the European Central Bank, will unsettle markets after nine years of monetary largesse. Moreover with the US economy strong, and wage growth there responding to the lowest unemployment levels since 1969, we strongly believe the Fed is likely to need a substantial market fall, or economic slump, before contemplating a change of course, whatever the views of the present incumbent of the White House. To our eyes it is fanciful to expect mid-single digit drops in equities even to feature on the Fed's radar. Higher US interest rates, now at 2.25%, are only one side of this story of reduced liquidity, with quantitative tightening now running at \$50bn per month as the Fed seeks to shrink its balance sheet.

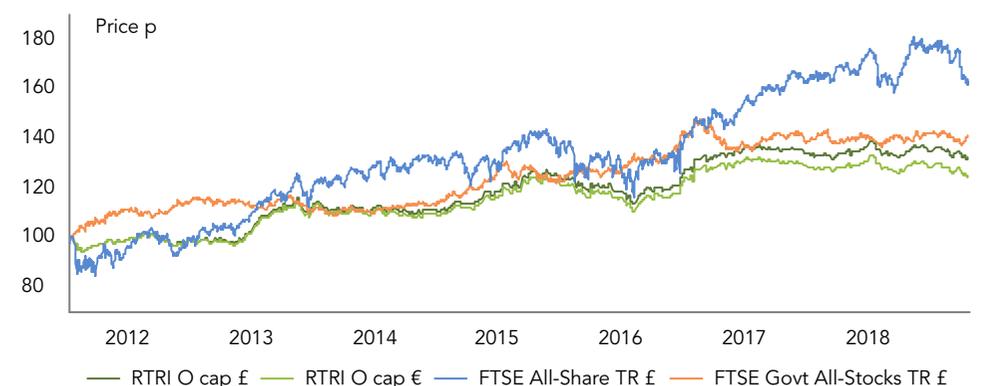
We obviously do not know whether the present turbulence will blow over or if it is a prelude to a more substantial fall in equity markets. Alongside this removal of liquidity, concerns are growing as to whether the economic and profit cycles are approaching their peak, and trade wars, Brexit and Italian budget discussions continue to hover in the background. However, the resumption of share buybacks in the US may provide support to equity markets, and last month saw the announcement of further fiscal stimulus from China, this time in the form of income tax cuts. Following last month's decline and February's fall, the more episodes we have like this, the greater the risk of a significant downturn and the people who have previously bought the dips, feeling less inclined to do so. In that context we are not minded to increase our equity weighting on the back of these falls. We maintain around 40% in equities alongside the portfolio's unconventional protections, gold and index-linked bonds, which we hope will offset losses and produce positive total returns even in worse conditions.

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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 fund launch on 14 July 2011



Performance %	October 2018	Year to date	1 year	3 years	5 years
O GBP capitalisation shares	-2.2	-3.1	-1.4	9.0	17.2

Percentage growth (O GBP cap)	%	Share price as at 31 October 2018	p
30 Sep 2017 – 30 Sep 2018	1.9	O CHF capitalisation	121.33
30 Sep 2016 – 30 Sep 2017	0.7	O EUR capitalisation	125.62
30 Sep 2015 – 30 Sep 2016	11.0	O GBP capitalisation	132.52
30 Sep 2014 – 30 Sep 2015	4.3	O USD capitalisation	133.65
30 Sep 2013 – 30 Sep 2014	2.2		

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 Oct 2018

## Asset allocation



### Asset allocation %

● Non-UK index-linked	20.2
● Long-dated index-linked gilts	12.8
● Index-linked gilts	7.7
● Gold and gold equities	6.9
● Cash	5.5
● Illiquid strategies and options	4.3
● Short-dated bonds	3.1

## Currency allocation



### Currency allocation %

● Sterling	66.1
● US dollar	13.9
● Yen	10.1
● Gold	7.1
● Euro	0.2
● Other	2.7

## 10 largest of 46 equity holdings\*

Stock	% of fund
Dai-ichi Life Insurance	2.6
Walt Disney Company	2.3
Sumitomo Mitsui Financial Group	2.2
Tesco	2.2
Mitsubishi UFJ Financial	2.1
Cigna Corporation	2.1
ORIX	1.6
Whitbread	1.4
Royal Bank of Scotland	1.4
GlaxoSmithKline	1.2

## 5 largest of 13 bond holdings

Stock	% of fund
US Treasury TIPS 1.25% 2020	7.0
UK Treasury index-linked 0.125% 2068	6.9
UK Treasury index-linked 0.375% 2062	5.9
UK Treasury index-linked 0.125% 2019	4.7
US Treasury 0.625% TIPS 2021	4.0

\*Excludes holdings in pooled funds  
Source: Ruffer LLP. Pie chart totals may not equal 100 due to rounding.

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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 £2,297.5m

## 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 last calendar 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 22 Jan 2018.

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 30 September 2018, assets managed by the Ruffer Group exceeded £22.8bn.

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