

Ruffer Total Return International

Positive returns with low volatility



O class June 2019 Issue 96

During June, the fund price rose by 2.0%. This compared with a rise of 3.7% in the FTSE All-Share Index and an increase of 0.7% in the FTSE Govt All Stocks Index (all figures total returns in sterling).

Following January's handbrake turn on the path of interest rates by the US Federal Reserve, 2019 has so far been a profitable year for most investors, and the fund has benefited, appreciating by 3.4%. Equities, bonds and credit have all risen in value, while hopes of lower US interest rates took the gold price up 8% in June in US dollar terms, reaching a five year high. And therein lies the rub. Global bond markets are signaling sharply decelerating economic activity, with \$13 trillion marking a new high level of negative-yielding government bonds, and also the need for immediate rate cuts, with a full 1% of easing over the next twelve months now priced into US rates. Equities meanwhile march blithely on, seemingly blind to the risk of profits coming under pressure as economic activity slows. It seems very hard for both these markets simultaneously to be right, and at Ruffer our tradition has always been to focus on the mousetrap rather than the cheese, hence our reluctance to raise the fund's equity exposure from its present level of around 40%.

Whereas in May equities were clearly spooked by the US-China trade spat, June's recovery owed something both to interest rate hopes and to heightened expectations that a trade deal might be struck at the G20 meeting in Osaka. A commitment emerged that talks should be resumed, but specifics and details were conspicuously light.

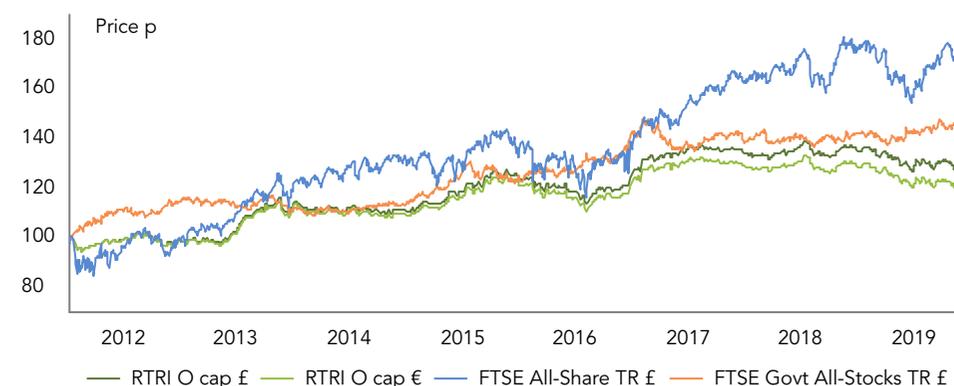
Unsurprisingly the fund's credit protections suffered a small loss in June as optimism returned. We would though be very surprised if slower economic and profits growth did not bring about higher borrowing spreads and downgrades in corporate credit. Not only are 50% of outstanding investment grade corporate bonds rated BBB, but if corporate credit were assessed on borrowing ratios alone 45% of the entire stock of investment grade bonds would be junk. Furthermore, benign borrowing data for the aggregate corporate sector disguises increasingly skewed distributions of profitability and debt. While at present investors seem happy to bid up credit on the basis of a benign interest rate outlook, investors seem equally content to ignore precisely why the interest rate profile has changed, viz slower growth. This investor myopia entirely convinces us of the need for the fund to carry protection against a deterioration in credit markets.

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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 %	June 2019	Year to date	1 year	3 years	5 years
O GBP capitalisation shares	2.0	3.4	-3.1	5.7	18.2

Percentage growth (O GBP cap)	%	Share price as at 30 June 2019	p
30 Jun 2018 – 30 Jun 2019	-3.1	O CHF capitalisation	119.35
30 Jun 2017 – 30 Jun 2018	1.0	O EUR capitalisation	123.87
30 Jun 2016 – 30 Jun 2017	8.1	O GBP capitalisation	131.91
30 Jun 2015 – 30 Jun 2016	-0.5	O USD capitalisation	134.56
30 Jun 2014 – 30 Jun 2015	12.4		

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 30 Jun 2019

Asset allocation



Asset allocation	%
Non-UK index-linked	14.8
Long-dated index-linked gilts	14.5
Short-dated bonds	8.3
Gold and gold equities	8.3
Illiquid strategies and options	7.9
Cash	3.9
Index-linked gilts	1.6

Currency allocation



Currency allocation	%
Sterling	74.7
Gold	8.2
Yen	7.6
US dollar	4.0
Euro	3.4
Other	2.1

10 largest of 53 equity holdings*

Stock	% of fund
Walt Disney Company	3.4
Celgene Corporation	2.3
Tesco	1.6
Cigna Corporation	1.6
ArcelorMittal	1.5
Vivendi	1.4
ORIX	1.3
National Oilwell Varco	1.2
Mitsubishi UFJ Financial Group	1.2
Newmont Mining	1.2

5 largest of 16 bond holdings

Stock	% of fund
UK Treasury index-linked 0.125% 2068	7.5
UK Treasury index-linked 0.375% 2062	7.0
US Treasury 0.125% TIPS 2021	3.7
US Treasury 0.625% TIPS 2021	3.5
US Treasury 0.125% TIPS 2022	2.5

*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 **£1,944.5m**

Fund information

Ongoing Charges Figure	1.43
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.

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 May 2019, assets managed by the Ruffer Group exceeded £20.6bn.

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