

CF Ruffer Absolute Return Fund

Positive absolute returns with low volatility



March 2016 Issue 121

The share price rose by 2.5%. By way of comparison the FTSE All-Share Index rose by 1.9% and the FTSE All Stocks Index declined by 0.1% (both figures total returns in sterling).

While it is always pleasant to report on a month in which the fund price rose, financial market conditions at present could not honestly be described as healthy. Indeed we would say that bipolar would be a more apposite characterisation. Having spent January and early February fretting that central banks had run out of options, risk assets have rallied strongly over the last six weeks, with the icing on the cake being soothing words out of the March meeting of the US Federal Reserve, whereby interest rate expectations for the balance of 2016 were guided down. This manic depressive nature of financial markets is to our minds symbolic of two features. There is still a high number of crowded positions, which coupled with lower liquidity, have the capacity to boost volatility and magnify movements when investors wish to change direction. Secondly the global economic system is approaching something of a tipping point, where we will witness one of two very different outcomes: a normalisation (of sorts) of monetary policy, whereby economic growth returns and interest rates can be nudged away from emergency levels, or the failure of monetary policy, where the conviction grows that the main outcome of unconventional monetary policy has been the inflation of assets not economies, that any transmission mechanism to the real economy has been feeble in its operation, and that monetary policy itself cannot carry the day.

While we are firmly in the camp that argues for the second outcome, we are not blind to the fact that in most jurisdictions such a policy shift will take time. Much of the push for more active fiscal policy presently comes either from those not holding the levers of power, such as the International Monetary Fund, or from opposition politicians. With markets likely to continue to veer between these two outcomes, and timing such shifts as much a mug's game as ever, our present challenge is to have a portfolio that can cope with both outcomes. Within our equity selection that means, unfashionably, largely eschewing the 'bond like' equities that have done investors proud in recent years, and contrariwise owning some cyclical equity exposure.

Already we are seeing the intellectual ground move around this debate. Markets blew a loud raspberry to the Bank of Japan's move to negative nominal interest rates at the end of January, deeming this as at best the last throw of the dice and at worst a policy mistake. Meanwhile last month's budget in Canada has set in train a live experiment in fiscal expansion, with Mr Trudeau's newly-elected government raising its deficit forecasts to fund infrastructure spending and cash handouts for those on lower incomes, with the full approval of the Bank of Canada. The helicopter might not have taken off, but the rotors are certainly beginning to whirl.

There is another salient aspect of this debate. Evidence is growing that central banks are growing frustrated at being the only game in town, not least because years of ultra-accommodative monetary policy carries with it enormous moral hazard and threatens their cherished financial stability objectives. To that extent while not being vocal about it, they would almost certainly welcome the opportunity to share the burden with governments of restoring a sustainable growth dynamic to the global economic system.

The fund's prospectus and key investor information documents are provided in English and available on request or from www.ruffer.co.uk. Please note that CF Ruffer Absolute Return Fund is a UK UCITS and is not registered for distribution in any country other than the UK. In line with the Prospectus, it is possible that at any one time the CF Ruffer Absolute Return Fund may invest more than 35% of its assets in transferable securities issued or guaranteed by an EEA state, one or more local authorities, a third country or a public international body to which one or more EEA States belong. The only aforementioned securities where Ruffer would currently consider holding more than 35% would be UK or US government issued transferable securities.

Investment objective

The fund aims to achieve low volatility and positive returns in all market conditions from an actively managed portfolio of equities or equity related securities (including convertibles), corporate and government bonds and currencies. Capital invested is at risk and there is no guarantee that a positive return will be delivered over any one or a number of twelve-month periods. The fund may also invest in collective investment schemes, cash, money market instruments and derivatives and forward transactions. Pervading this objective is a fundamental philosophy of capital preservation. In selecting investments the fund will adopt a stock picking approach and will not adopt any investment weightings by reference to any benchmark.

Performance since launch on 31 January 2006 – C acc shares



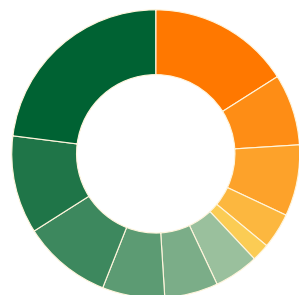
Performance %	March 2016	Year to date	1 year	3 years	5 years	10 years	
C accumulation shares	2.5	0.3	-4.0	6.6	20.9	na	
Percentage growth (C acc)	%		Share price as at 31 March 2016				p
31 Mar 2015 – 31 Mar 2016	-4.0		O accumulation		187.02		
31 Mar 2014 – 31 Mar 2015	11.4		O income		151.10		
31 Mar 2013 – 31 Mar 2014	-0.3		C accumulation		192.56		
31 Mar 2012 – 31 Mar 2013	10.2		C income		155.81		
31 Mar 2011 – 31 Mar 2012	2.9						

Source: Ruffer LLP

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.

CF Ruffer Absolute Return Fund as at 31 March 2016

Portfolio structure



Asset allocation	%		%
● Non-UK index-linked	23	● Japan equities	16
● Long-dated index-linked gilts	11	● UK equities	8
● Index-linked gilts	10	● North America equities	8
● Gold and gold equities	7	● Europe equities	4
● Cash	6	● Asia ex-Japan equities	2
● Illiquid strategies	5		



Currency allocation	%
● Sterling	74
● US dollar	8
● Gold	7
● Yen	6
● Euro	2
● Other	3

5 largest of 18 bond holdings

Stock	% of fund
US TIPS 1.25% 2020	4.5
UK Treasury index-linked 1.875% 2022	3.8
US TIPS 0.125% 2022	3.2
UK Treasury index-linked 1.25% 2055	3.1
US TIPS 0.375% 2023	3.0

Source: Ruffer LLP

5 largest of 78 equity holdings*

Stock	% of fund
The Boeing Company	2.1
Sumitomo Mitsui Financial	1.9
Mitsubishi UFJ Financial	1.8
Mizuho Financial	1.6
ExxonMobil	1.6

*Excludes holdings in pooled funds

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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 £2,674.7m

Fund information

%	O class	C class
Ongoing Charges Figure	1.53	1.23
Annual management charge	1.50	1.20
Maximum initial charge	7.5	7.5
Yield	1.35	1.35
Minimum investment	£1,000,000	
Ex dividend dates	15 Mar, 15 Sep	
Pay dates	15 May, 15 Nov	
Dealing	Weekly forward to 10am Wednesday, based on NAV Plus forward from 10am on last Wednesday of the month to last business day of the month	
	O class	C class
ISIN	GB00B0XP1H53 (acc) GB00B0XP1869 (inc)	GB00B0XP2X86 (acc) GB00B0XP1T75 (inc)
SEDOL	B0XP1H5 (acc) B0XP186 (inc)	B0XP2X8 (acc) B0XP1T7 (inc)
Investment adviser	Ruffer LLP	
ACD	Capita Financial Managers Limited	
Depository	BNY Mellon Trust & Depository (UK) Limited	
Auditors	Grant Thornton UK LLP	
Structure	Sub-fund of Asperior Investment Funds (OEIC) UK domiciled UCITS Eligible for ISAs	

Enquiries

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Fund Managers

Steve Russell

INVESTMENT DIRECTOR

Graduated from Oxford in PPE and started work as an equity analyst at Confederation Life in 1987, progressing to Head of Equities. In 1999 he moved to HSBC Investment Bank as Head of UK and European



Equity Strategy, before joining Ruffer in 2003. He is also co-manager of the Ruffer Investment Company.

David Ballance

INVESTMENT DIRECTOR

Previously International Equities Head at Rothschild Private Management, he graduated from Oxford and was a Senior Investment Manager at Allied Dunbar, before moving to Threadneedle as Head of European Equities. He joined Ruffer in 2006.



Ruffer LLP

Ruffer LLP manages investments on a discretionary basis for private clients, trusts, charities and pension funds. As at 31 March 2016, assets managed by the Ruffer Group exceeded £18.2bn, of which over £9.4bn was managed in open-ended Ruffer funds.

Dealing line

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