

# CF Ruffer Absolute Return Fund

Positive absolute returns with low volatility



July 2016 Issue 125

During July the fund price rose by 3.3%. This compared with a rise of 4.0% in the FTSE All-Share Index and a rise of 2.0% in the FTSE All-Stocks Index (both figures total returns in sterling).

Our aim at Ruffer is always to provide investors with a safe passage through the squalls that frequent financial markets, whilst all the time keeping an eye open for the hurricanes that from time to time threaten to diminish the value of their savings. In the meantime, of course, we also endeavour to make decent returns when conditions seem less threatening.

In light of these seemingly contradictory aspirations, it is pleasing to report that we have delivered on our aims through the latest bout of turbulence, brought on by the UK's vote to leave the EU. In June we positioned the portfolio to minimise the threat of losses whichever way the vote went, whilst of course still keeping guard against the larger threat of future inflation. The vote is now history, the ramifications of which remain entirely unclear, and this unexpected outcome provoked just one of the aforementioned squalls in currency and stock markets. The fund navigated the immediate turmoil safely, as reported last month, and in fact emerged on the positive side. This month, as the dust has started to settle, we have made further gains, with Japanese equities and gold leading the way, whilst index-linked bonds and western equities have also played a supporting role.

Whither now from here? The consequences of the 'leave' vote, both for the UK and the rest of the EU, remain unknown, with short term economic indicators of little help. However, the ruling Conservative party has acted swiftly to put in place a new government, led by Theresa May. This, combined with the fall in the pound and the prospect of lower interest rates, has rallied markets so that in sterling terms UK equities are now up 5% since before the referendum, though still down a similar amount in almost all other currencies. At the moment there is little more of use that can be said on the potential impacts of Brexit, beyond the notion that monetary policy is set to remain extremely loose, as shown by last week's moves by the Bank of England.

That said, we can draw at least three conclusions from recent events. First, politics, and perhaps populism, are set to play a greater role in setting the economic agenda than they have for many decades, and not necessarily for the good. Secondly, as if sensing this, politicians are already moving away from austerity towards more fiscal interventions, with likely implications for inflation and real interest rates. Thirdly, at least for now, ever lower interest rates can still paper over the widening cracks appearing in underlying economies. The first two observations could hold true for some time, the last, we fear, could prove to be illusory. Hence our overall strategy has remained almost entirely unchanged, holding just sufficient equities to get by, but also keeping a firm grasp on the index-linked bonds we believe will be invaluable when negative real interest rates really start to take hold.

The fund's prospectus and key investor information documents are provided in English and available on request or from [www.ruffer.co.uk](http://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



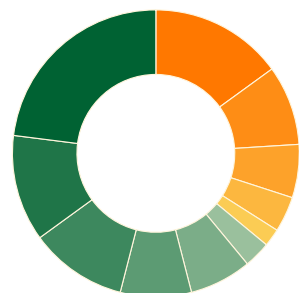
| Performance %             | July 2016 | Year to date | 1 year                         | 3 years | 5 years | 10 years |               |
|---------------------------|-----------|--------------|--------------------------------|---------|---------|----------|---------------|
| C accumulation shares     | 3.3       | 7.1          | 2.9                            | 13.4    | 28.2    | 107.9    |               |
| Percentage growth (C acc) | %         |              | Share price as at 29 July 2016 |         |         |          | p             |
| 30 Jun 2015 – 30 Jun 2016 | -0.6      |              | <b>O accumulation</b>          |         |         |          | <b>199.49</b> |
| 30 Jun 2014 – 30 Jun 2015 | 11.4      |              | <b>O income</b>                |         |         |          | <b>161.18</b> |
| 30 Jun 2013 – 30 Jun 2014 | 0.7       |              | <b>C accumulation</b>          |         |         |          | <b>205.59</b> |
| 30 Jun 2012 – 30 Jun 2013 | 12.9      |              | <b>C income</b>                |         |         |          | <b>166.37</b> |
| 30 Jun 2011 – 30 Jun 2012 | -1.6      |              |                                |         |         |          |               |

Source: Ruffer LLP

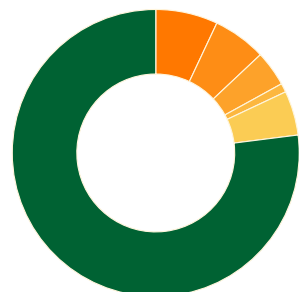
Ruffer performance is shown after deduction of all fees and management charges, and on the basis of income being reinvested. Past performance is not a guide to future performance. The value of the shares and the income from them can go down as well as up and you may not get back the full amount originally invested. The value of overseas investments will be influenced by the rate of exchange.

# CF Ruffer Absolute Return Fund as at 29 July 2016

## Portfolio structure



| Asset allocation                 | %  |                          | %  |
|----------------------------------|----|--------------------------|----|
| ● Non-UK index-linked            | 23 | ● Japan equities         | 15 |
| ● Long-dated index-linked gilts  | 12 | ● UK equities            | 9  |
| ● Index-linked gilts             | 11 | ● North America equities | 6  |
| ● Cash                           | 8  | ● Europe equities        | 4  |
| ● Gold and gold equities         | 7  | ● Asia ex-Japan equities | 2  |
| ● Protective illiquid strategies | 3  |                          |    |



| Currency allocation | %  |
|---------------------|----|
| ● Sterling          | 77 |
| ● Gold              | 7  |
| ● US dollar         | 6  |
| ● Yen               | 4  |
| ● Euro              | 1  |
| ● Other             | 5  |

## 5 largest of 26 bond holdings

| Stock                                | % of fund | Stock                     | % of fund |
|--------------------------------------|-----------|---------------------------|-----------|
| UK Treasury index-linked 1.875% 2022 | 4.5       | Sumitomo Mitsui Financial | 2.0       |
| US TIPS 1.25% 2020                   | 4.3       | BP                        | 1.7       |
| UK Treasury index-linked 0.375% 2062 | 3.3       | Mitsubishi UFJ Financial  | 1.5       |
| UK Treasury index-linked 1.25% 2055  | 3.2       | Mizuho Financial          | 1.2       |
| US TIPS 0.125% 2022                  | 3.0       | T&D                       | 1.2       |

## 5 largest of 79 equity holdings\*

| Stock                     | % of fund |
|---------------------------|-----------|
| Sumitomo Mitsui Financial | 2.0       |
| BP                        | 1.7       |
| Mitsubishi UFJ Financial  | 1.5       |
| Mizuho Financial          | 1.2       |
| T&D                       | 1.2       |

Source: Ruffer LLP

\*Excludes holdings in pooled funds

The views expressed in this report are not intended as an offer or solicitation for the purchase or sale of any investment or financial instrument. The views reflect the views of Ruffer LLP at the date of this document and, whilst the opinions stated are honestly held, they are not guarantees and should not be relied upon and may be subject to change without notice.

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 £3,232.1m

## 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                    | 1.25  | 1.26                                     |
| 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<br>Plus forward from 10am on last Wednesday of the month to last business day of the month |  |
|                          | O class   | C class                                  |
| ISIN                     | GB00B0XP1H53 (acc)<br>GB00B0XP1869 (inc)  | GB00B0XP2X86 (acc)<br>GB00B0XP1T75 (inc) |
| SEDOL                    | B0XP1H5 (acc)<br>B0XP186 (inc)  | B0XP2X8 (acc)<br>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)<br>UK domiciled UCITS<br>Eligible for ISAs |

## Enquiries

Ruffer LLP  
80 Victoria Street  
London  
SW1E 5JL

+44 (0)20 7963 8254  
rif@ruffer.co.uk  
[www.ruffer.co.uk/rarf](http://www.ruffer.co.uk/rarf)

## 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 July 2016, assets managed by the Ruffer Group exceeded £19.2bn, of which over £10.6bn was managed in open-ended Ruffer funds.

## Dealing line

0345 601 9610

Issued by Ruffer LLP, 80 Victoria Street, London SW1E 5JL.  
Ruffer LLP is authorised and regulated by the Financial Conduct Authority. © Ruffer LLP 2016