

CF Ruffer Absolute Return Fund

Positive absolute returns with low volatility



The fund's price fell 0.1% during the month. This compared with a rise of 1.7% in the FTSE All-Share Index and a decline of 2.3% in the FTSE All-Stocks Index (both figures total returns in sterling).

During Richard Nixon's visit to Beijing in 1972, the Chinese premier, Zhou Enlai, was asked about the consequences of the French Revolution of 1789. Zhou replied that it was 'too early to say'. A mere three months have passed since the UK voted to leave the EU and it is equally hard to say anything with certainty. However, it does seem clear that the political establishment, academics and economists have managed to err once again with their prognostications of immediate recession. What little economic data we have for the UK appears quite robust – so far.

The steep post-referendum fall in the value of the pound has continued but, away from the headlines, UK financial markets have powered ahead. Interestingly, currency markets and the stock market seem to be interpreting events differently. Europe's equities are down, lagging almost 20% behind the UK this year measured in local currencies, and yet, contrastingly, the euro has remained resilient despite challenges ranging from political insurgency and a refugee crisis to rolling banking emergencies from Munich to Milan. Deutsche Bank's woes are only the latest iteration of the latter, and we wait to see how any losses might be assigned. Who takes the pain? The ECB? The German taxpayer? Shareholders? Bondholders? Depositors? Whichever one sets a precedent which will be watched closely across Europe.

So what to infer from the way events have played out this year? At a headline level, it appears that promises of 'easing' from central bankers and soothing words from politicians are still sufficient to calm markets on the verge of trouble. The essential problem is that central bankers can control asset prices by printing money, cajoling investors and manipulating interest rates, but not the economy. This fundamental disconnection between the economy and markets is growing wider – corporate profits peaked in 2014 and have been trending lower since. Investors are trying to have their cake and eat it – on the one hand they rejoice by contending that lower interest rates means stocks deserve to trade at higher prices, on the other hand they are wilfully blind that the lower rates are locked in place precisely due to grave concerns over future growth (which is the primary driver of future profits).

After much fanfare in the lead up to the September decision, the US Federal Reserve blinked on raising rates yet again. Despite significant levels of dissent from some governors it was judged that 'further evidence of recovery was required'. The surprisingly dovish Fed, the relentless crushing of bond yields, weaker sterling and an increasing clamour for fiscal stimulus have been manna for our index-linked bonds, which remain the crown jewels in the portfolio. The longest dated issues are up significantly this year and we have some 14% of the portfolio in these (or similar) bonds. This is both a celebration and a warning: while non-negotiable in terms of their ultimate portfolio role, their sensitivity means future bumpy moments cannot be ruled out.

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



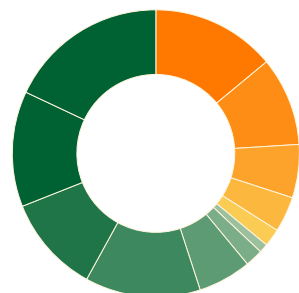
Performance %	September 2016	Year to date	1 year	3 years	5 years	10 years	
C accumulation shares	-0.1	10.8	12.2	18.6	36.0	116.0	
Percentage growth (C acc)	%		Share price as at 30 September 2016				p
30 Sep 2015 – 30 Sep 2016	12.2		O accumulation				206.28
30 Sep 2014 – 30 Sep 2015	2.8		O income				165.29
30 Sep 2013 – 30 Sep 2014	2.8		C accumulation				212.70
30 Sep 2012 – 30 Sep 2013	11.9		C income				170.70
30 Sep 2011 – 30 Sep 2012	2.4						

Source: Ruffer LLP. FTSE International (FTSE)†

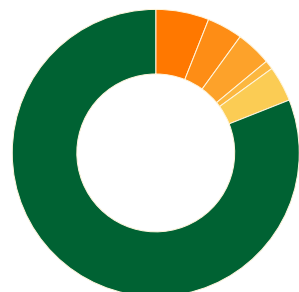
Ruffer performance is shown after deduction of all fees and management charges, and on the basis of income being reinvested. Past performance is not a guide to future performance. The value of the shares and the income from them can go down as well as up and you may not get back the full amount originally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

CF Ruffer Absolute Return Fund as at 30 September 2016

Portfolio structure



Asset allocation	%		%
● Non-UK index-linked	18	● Japan equities	14
● Long-dated index-linked gilts	13	● UK equities	10
● Index-linked gilts	11	● North America equities	6
● Cash	13	● Europe equities	4
● Gold and gold equities	6	● Asia ex-Japan equities	2
● Protective illiquid strategies	2		
● Options	1		



Currency allocation	%
● Sterling	81
● Gold	6
● US dollar	4
● Yen	4
● Euro	1
● Other	4

5 largest of 22 bond holdings

Stock	% of fund
UK Treasury index-linked 1.875% 2022	4.2
US TIPS 1.25% 2020	4.0
UK Treasury index-linked 0.375% 2062	3.8
UK Treasury index-linked 1.25% 2055	3.6
US TIPS 0.125% 2022	2.8

Source: Ruffer LLP

5 largest of 81 equity holdings*

Stock	% of fund
BP	1.6
Mitsubishi UFJ Financial	1.4
Sumitomo Mitsui Financial	1.4
T&D	1.2
Mizuho Financial	1.2

*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 £3,573.3m

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	1.24	1.24
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	

Dealing line 0345 601 9610

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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 30 September 2016, assets managed by the Ruffer Group exceeded £20.1bn, of which over £11.1bn was managed in open-ended Ruffer funds.

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