

CF Ruffer Absolute Return Fund

Positive absolute returns with low volatility



During October the fund rose by 1.0%. This compares with a rise of 0.6% in the FTSE All-Share Total Return index and a decline of 3.9% in the FTSE All-Stocks Index (both figures total returns in sterling).

There have been two main dynamics in play during October, one very much a domestic phenomenon, the other more global. In the first instance the term 'hard Brexit' became part of the financial market lexicon, and UK-based assets suffered accordingly. The pound fell 6% against the US dollar, gilts fell by a similar amount, and although UK equity markets made a small gain much of this can be accounted for by overseas earnings. Further afield, global bond yields have continued their rise from extraordinary lows, prices falling, as investors have begun to acknowledge the nonsense of lending money to governments with the guarantee of a capital loss. Market participants have pointed the finger at the prospect of slightly higher inflation as the culprit. Inflation-linked gilts have thus fared better than their conventional equivalents, as the market's expectation of future inflation has started to rise.

Inflation measures the change in prices over a given year. As such inflation numbers experience a phenomenon known as base effect. If the price of a good which has fallen a great deal, in this case oil, stabilises, or indeed rises, the inflation numbers will pick up. We are now in just such a phase, and inflation is going to be mechanically higher in the immediate future in most developed economies, the UK more than most given the collapse in sterling. Central bank messaging is that this inflation is welcome; in the short term they won't react with higher interest rates, letting economies 'run hot'. The idea is that by doing so they can return inflation, and implicitly interest rates, to a more 'normal' level. All the major central banks have been encouraging steeper nominal interest rate curves, and indeed long-dated yields globally have increased. Emboldened by their success we would expect policy makers to continue on the same tack. It is for this reason that we hold a small, (c 0.5%), portion of the fund in interest rate options that would gain in value in the event that bond yields rise. These potent instruments have enabled the fund to weather the small rises in bond yields thus far, offsetting any short-term losses in index-linked bonds.

In the portfolio we have kept equities below 40% in view of the present risks, but those stocks we have selected should respond well if growth remains positive. In the last month new purchases have focused on more economically-sensitive areas such as banks and oil services, whilst we have taken profits in Microsoft, Deutsche Post and Barratt Developments, the latter on a 35% gain after an opportunistic purchase immediately post Brexit. Overall our equity holdings now exhibit a more cyclical bias, in part offsetting the caution inherent in our index-linked positions.

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



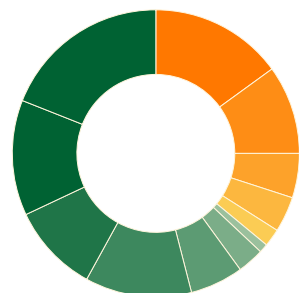
Performance %	October 2016	Year to date	1 year	3 years	5 years	10 years	
C accumulation shares	1.0	11.9	9.9	18.3	36.2	117.8	
Percentage growth (C acc)	%		Share price as at 31 October 2016				
30 Sep 2015 – 30 Sep 2016	12.2		O accumulation				208.28
30 Sep 2014 – 30 Sep 2015	2.8		O income				166.89
30 Sep 2013 – 30 Sep 2014	2.8		C accumulation				214.82
30 Sep 2012 – 30 Sep 2013	11.9		C income				172.40
30 Sep 2011 – 30 Sep 2012	2.4						

Source: Ruffer LLP. FTSE International (FTSE)[†]

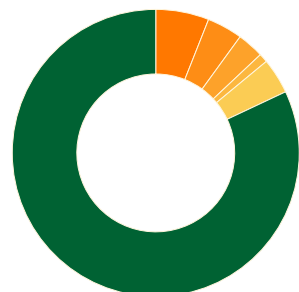
Ruffer performance is shown after deduction of all fees and management charges, and on the basis of income being reinvested. Past performance is not a guide to future performance. The value of the shares and the income from them can go down as well as up and you may not get back the full amount originally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

CF Ruffer Absolute Return Fund as at 31 October 2016

Portfolio structure



Asset allocation	%		%
● Non-UK index-linked	19	● Japan equities	15
● Long-dated index-linked gilts	13	● UK equities	10
● Index-linked gilts	10	● North America equities	5
● Cash	12	● Europe equities	4
● Gold and gold equities	6	● Asia ex-Japan equities	2
● Illiquid strategies	3		
● Options	1		



Currency allocation	%
● Sterling	82
● Gold	6
● Yen	4
● US dollar	3
● Euro	1
● Other	4

5 largest of 22 bond holdings

Stock	% of fund
US TIPS 1.25% 2020	4.2
UK Treasury index-linked 1.875% 2022	4.2
UK Treasury index-linked 0.375% 2062	3.5
UK Treasury index-linked 1.25% 2055	3.4
US TIPS 0.125% 2022	2.9

Source: Ruffer LLP

5 largest of 82 equity holdings*

Stock	% of fund
BP	2.0
Mitsubishi UFJ Financial	1.6
Sumitomo Mitsui Financial	1.5
T&D	1.4
Lloyds Banking	1.4

*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 £3,635.0m

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	1.23	1.23
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 31 October 2016, assets managed by the Ruffer Group exceeded £20.4bn, of which over £11.4bn was managed in open-ended Ruffer funds.

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