

CF Ruffer Absolute Return Fund

Positive absolute returns with low volatility



During November the fund price fell by 0.5%. This compares with a fall of 1.6% in the FTSE All-Share Index and a decline of 1.3% in the FTSE All-Stocks Index (both figures total returns in sterling).

This month's commentary focuses not so much on Donald Trump's unexpected victory in the US presidential election, but rather on the stress test for our portfolio that the subsequent market moves have posed. In what seems to us very much a dress rehearsal for a future inflation-driven move in asset prices, we have seen a significant repricing (ie sell-off) across global bonds. Yields have spiked higher on the prospect of fiscal stimulus under President-elect Trump, with the benchmark US 10 year bond yield leaping from 1.8% pre-election to 2.4%. Not surprisingly this has triggered a sharp reversal of the prevailing mood within equity markets, where supposedly safe 'bond-like' equities have sold off sharply, with investors rotating into more cyclical/value stocks and financials.

Despite registering a small loss for the month, we feel the portfolio has passed this 'stress test' if not with flying colours, then at least satisfactorily. At Ruffer we aim to build an 'all weather' portfolio that not only protects investors from the painful consequences of events we can see coming down the road, but is also sufficiently robust to withstand shorter term movements that could blow us off course. Our long term compass is firmly set to inflation and negative real interest rates, and therefore we cherish the long-dated index-linked bonds in the portfolio. However, having performed so well for us already this year, we have been acutely aware that a sharp rise in bond yields could reverse the strong performance of the portfolio.

Trump's election victory has duly delivered just such a shock to investors, even if we see it as simply another step on the path towards inflation. As bond yields spiked higher, and with investors unable as yet to truly distinguish between real and nominal interest rates, our index-linked bonds have fallen back sharply. We have weathered this setback thanks to the offsets built up in the rest of the portfolio. Interest rate options are part of this armoury, and have performed well, but it is Japanese financials that have really shone as offsets to falling bond prices. During the month Japanese banks and life assurers made double digit gains, with one of our largest holdings, MUFJ, up over 20%.

Having long purged the portfolio of 'bond-like' equities we were largely immune to the sell-off in this once fashionable area, whilst building up a host of positions in cyclical equities has been rewarded with gains from stocks such as Tenaris, Ingevity and WestRock. The result has been that despite the longest dated index-linked bond in the portfolio falling by 17% from its October high, with shorter durations following suit, the fund price has barely moved, thereby preserving the double digit gains for the overall portfolio so far this year.

Looking forward, we see Trump's election as marking the end of omnipotent central banks and the pre-eminence of monetary policy. Politics will now take central stage with Trump et al usurping Yellen & Co as the star billing. Fiscal expansion seems to us more likely to herald inflation rather than a surge in real growth. However, such tectonic shifts occur slowly, so we repeat our suggestion that November's market moves are merely a dress rehearsal for a far greater shift in asset prices in the future.

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



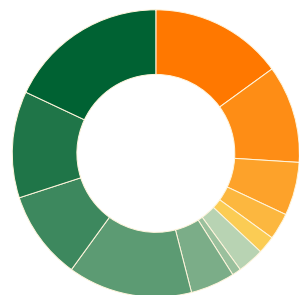
Performance %	November 2016	Year to date	1 year	3 years	5 years	10 years	
C accumulation shares	-0.5	11.3	9.9	18.2	34.5	114.3	
Percentage growth (C acc)	%		Share price as at 30 November 2016				p
30 Sep 2015 – 30 Sep 2016	12.2		O accumulation				207.20
30 Sep 2014 – 30 Sep 2015	2.8		O income				166.04
30 Sep 2013 – 30 Sep 2014	2.8		C accumulation				213.77
30 Sep 2012 – 30 Sep 2013	11.9		C income				171.56
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 November 2016

Portfolio structure



Asset allocation	%		%
● Non-UK index-linked	18	● Japan equities	15
● Long-dated index-linked gilts	12	● UK equities	11
● Index-linked gilts	10	● North America equities	6
● Cash	14	● Europe equities	3
● Gold and gold equities	5	● Asia ex-Japan equities	2
● Options	1		
● Illiquid strategies	3		



Currency allocation	%
● Sterling	86
● US dollar	4
● Gold	3
● Yen	2
● Euro	1
● Other	4

5 largest of 21 bond holdings

Stock	% of fund
UK Treasury index-linked 1.875% 2022	4.1
US TIPS 1.25% 2020	4.0
UK Treasury index-linked 0.375% 2062	3.2
UK Treasury index-linked 1.25% 2055	3.2
US TIPS 0.125% 2022	2.8

Source: Ruffer LLP

5 largest of 86 equity holdings*

Stock	% of fund
BP	1.9
Mitsubishi UFJ Financial	1.7
Sumitomo Mitsui Financial	1.6
Lloyds Banking	1.6
T&D	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 £3,675.7m

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	1.24	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 30 November 2016, assets managed by the Ruffer Group exceeded £20.3bn, of which over £11.2bn was managed in open-ended Ruffer funds.

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