

CF Ruffer Absolute Return Fund

Positive absolute returns with low volatility



During December the fund price rose by 1.4%. This compared with a rise of 5% in the FTSE All-Share Index and one of 2% in the FTSE All Stocks Index, (both figures total returns in sterling).

An eventful year ended with equity markets on the front foot. They continued to bask in the anticipation of a Trump presidency, ignoring possible alarms from the President-elect's potential excursions into trade and foreign policy, while lapping up the Reaganomic possibilities of fiscal stimulus, tax cuts for both corporates and consumers, and some targeted rolling back of regulation.

Within the fund's double-digit return for the year, we were especially encouraged by its behaviour in the final quarter. With bond prices pressured by rising nominal yields, and gold hit hard by the re-surgent US dollar, it would have been easy for some of the portfolio's earlier gains to have been surrendered. In the event inflation expectations in both the US and UK rose after 8 November, building on their gains of the previous months, giving some support to index-linked bonds, and our prior pruning of the portfolio's holdings of 'bond-like' equities proved prescient. To cap it all, Japanese banks, having worn sackcloth and ashes for much of the year, surged between 20% and 40% in the quarter as interest rate expectations rose.

So much for the old year; what of the new? We are somewhat wary of the apparent keenness to copy across the investment and economic narratives of the early 1980s. Firstly Mr Trump's fiscal plans call for a \$1 trillion stimulus, at a time when US unemployment is 4.6% and wage growth, at 2.5%, is beginning to stir. On top of that any curtailment in immigration into the US will presumably reduce the supply of labour to the much vaunted 'shovel-ready' projects. Tariffs, while crowd-pleasing in the short term, can only be inflationary; it is estimated that around 70% of goods sold at Wal-Mart are sourced from China. The risk of inflation being reignited thus seems to us clear and present. Such a development might well produce a more active US Federal Reserve, keen to re-establish interest rate normality, raising rates faster than investors expect, and thereby offsetting to some degree the effects of fiscal largesse.

The risk of this latter outturn stands in stark contrast to Japan, where the monetary and fiscal levers both continue to point in an expansionary direction. Indeed the superimposition of rising US bond yields on the Bank of Japan's stated intention to keep Japanese ten year bond yields at zero has produced a pronounced period of yen weakness, with the Japanese currency having now fallen 17% against the US currency since the highs of September. Rising global bond yields, increased growth expectations and a falling yen have historically been a magical combination for Japanese equities. With the investment world littered with risks, and equity markets at elevated levels, we continue to consider a substantial exposure to Japanese equities entirely appropriate in the context of our relatively low equity allocation.

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



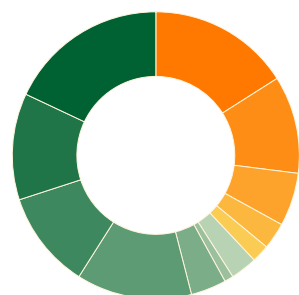
Performance %	December 2016	Year to date	1 year	3 years	5 years	10 years	
C accumulation shares	1.4	12.9	12.9	19.5	35.5	117.5	
Percentage growth (C acc)	%		Share price as at 30 December 2016				p
31 Dec 2015 – 31 Dec 2016	12.9		O accumulation				210.02
31 Dec 2014 – 31 Dec 2015	0.3		O income				168.29
31 Dec 2013 – 31 Dec 2014	5.6		C accumulation				216.74
31 Dec 2012 – 31 Dec 2013	10.3		C income				173.94
31 Dec 2011 – 31 Dec 2012	2.8						

Source: Ruffer LLP. FTSE International (FTSE)†

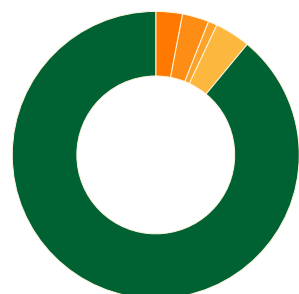
Ruffer performance is shown after deduction of all fees and management charges, and on the basis of income being reinvested. Past performance is not a guide to future performance. The value of the shares and the income from them can go down as well as up and you may not get back the full amount originally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

CF Ruffer Absolute Return Fund as at 30 December 2016

Portfolio structure



Asset allocation	%		%
● Non-UK index-linked	18	● Japan equities	16
● Long-dated index-linked gilts	12	● UK equities	11
● Index-linked gilts	11	● North America equities	6
● Cash	13	● Europe equities	3
● Gold and gold equities	4	● Asia ex-Japan equities	2
● Options	1		
● Illiquid strategies	3		



Currency allocation	%
● Sterling	89
● Gold	3
● US dollar	3
● Euro	1
● Other	4

5 largest of 21 bond holdings

Stock	% of fund
US TIPS 1.25% 2020	4.0
UK Treasury index-linked 1.875% 2022	4.0
UK Treasury index-linked 0.375% 2062	3.2
UK Treasury index-linked 1.25% 2055	3.1
UK Treasury index-linked 0.125% 2019	3.0

Source: Ruffer LLP

5 largest of 85 equity holdings*

Stock	% of fund
BP	2.0
Lloyds Banking	2.0
Mitsubishi UFJ Financial	1.8
Sumitomo Mitsui Financial	1.6
T&D	1.5

*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 £3,779.8m

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	1.22	1.22
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 December 2016, assets managed by the Ruffer Group exceeded £20.6bn, of which over £11.4bn was managed in open-ended Ruffer funds.

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