

CF Ruffer Absolute Return Fund

Positive absolute returns with low volatility



March 2017 Issue 133

During March the fund's shares declined by 0.6%. This compares with an increase of 1.2% in the FTSE All-Share Index and one of 0.3% in the FTSE Govt-All Stocks Index (both figures total returns in sterling).

Over the course of the month some of the momentum has waned from the global reflation trade. The moment has arrived when the seemingly unstoppable force (Donald Trump) collided with the vast bureaucracy and vested interests of Washington DC. What we have seen is even a Tasmanian devil such as President Trump cannot transform overnight the gridlock of the political establishment into the promised engine of deregulation and job creation. Some will argue he picked the argument he was never going to win first so he could move quickly on, but nonetheless this represents the first challenge of his infant presidency.

The lack of tangible and immediate progress has been frustrating for the bulls. It is surprising to us that the market has been surprised – given the disharmony across the aisle it was never going to be easy and the implicit assumption of a roaring S&P 500 was that these policies would be implemented without delay or compromise.

Where this becomes relevant for investors is markets have evolved in the last couple of quarters to fixating on the words and actions of politicians rather than those of central bankers. This is exactly the shift we would expect in a world which is embracing fiscal rather than monetary solutions to the chronic problem of too much debt and too little growth. So if central banks are, for the moment, offstage right and the spotlight is on Trump, the French election and the Brexit negotiations, what happens if they fluff their lines?

To complicate matters further, relations between the Federal Reserve governors and the US administration are frosty at best after some of the ornery things said on the campaign trail about removing central bank independence. Having, for quite some time, been deliberately behind the curve in terms of action relative to improving economic data, the Fed is now at pains to emphasise it will deliver 3-4 rate hikes in 2017 and that the normalisation process is well under way. Surely President Trump would like to serve his term with the support of a Fed funds rate never above 0.5% as President Obama did. Thus we worry about an air pocket in which Trump's reform and fiscal easing remains stymied whilst markets have to start reacting to the first Fed hiking cycle since 2004. For this reason we have increased our interest rate protection to the extent that we have a negligible net portfolio duration today.

A rate hiking cycle, to the extent one truly emerges, will be a pivotal development. Many stock and bond investors have grown accustomed to justifying paltry yields by comparing them to cash returns. What intellectual gymnastics will be required to explain why stocks go up when rates are both rising and falling? Even though we contend the global debt mountain puts a ceiling on where interest rates can go, any move up from today's rock-bottom levels threatens the valuation basis of equities.

Over the month we have been drawing in our horns by slightly trimming equities, selling out of Mazda and Loomis. Our caution is reflected in the continuing low equity weighting which remains below 40%.

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



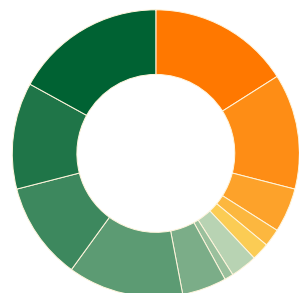
Performance %	March 2017	Year to date	1 year	3 years	5 years	10 years
C accumulation shares	-0.6	-0.1	12.4	20.2	32.1	114.7
Percentage growth (C acc)	%		Share price as at 31 March 2017			
31 Mar 2016 – 31 Mar 2017	12.4		O accumulation		209.57	
31 Mar 2015 – 31 Mar 2016	-4.0		O income		166.84	
31 Mar 2014 – 31 Mar 2015	11.4		C accumulation		216.43	
31 Mar 2013 – 31 Mar 2014	-0.3		C income		172.57	
31 Mar 2012 – 31 Mar 2013	10.2					

Source: Ruffer LLP. FTSE International (FTSE)†

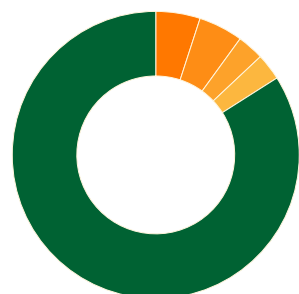
Ruffer performance is shown after deduction of all fees and management charges, and on the basis of income being reinvested. Past performance is not a guide to future performance. The value of the shares and the income from them can go down as well as up and you may not get back the full amount originally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

CF Ruffer Absolute Return Fund as at 31 March 2017

Portfolio structure



Asset allocation	%		%
● Non-UK index-linked	17	● Japan equities	16
● Long-dated index-linked gilts	12	● UK equities	13
● Index-linked gilts	11	● North America equities	5
● Cash	13	● Europe equities	2
● Gold and gold equities	5	● Asia ex-Japan equities	2
● Options	1		
● Illiquid strategies	3		



Currency allocation	%
● Sterling	84
● Gold	5
● Yen	5
● US dollar	3
● Other	3

5 largest of 18 bond holdings

Stock	% of fund	Stock	% of fund
UK Treasury index-linked 1.875% 2022	3.9	Lloyds Banking Group	2.0
US TIPS 1.25% 2020	3.8	BP	1.8
US TIPS 0.125% 2022	3.3	Mitsubishi UFJ Financial	1.7
UK Treasury index-linked 0.375% 2062	3.2	T&D	1.5
UK Treasury index-linked 1.25% 2055	3.1	Sony	1.5

5 largest of 85 equity holdings*

Stock	% of fund
Lloyds Banking Group	2.0
BP	1.8
Mitsubishi UFJ Financial	1.7
T&D	1.5
Sony	1.5

Source: Ruffer LLP

*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 £3,904.8m

Fund information

%	O class	C class
Ongoing Charges Figure	1.52	1.22
Annual management charge	1.50	1.20
Maximum initial charge	7.5	7.5
Yield	1.47	1.47
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 March 2017, assets managed by the Ruffer Group exceeded £21.4bn, of which over £11.8bn was managed in open-ended Ruffer funds.

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