

CF Ruffer Total Return Fund

Positive absolute returns with low volatility



March 2017 Issue 170

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.

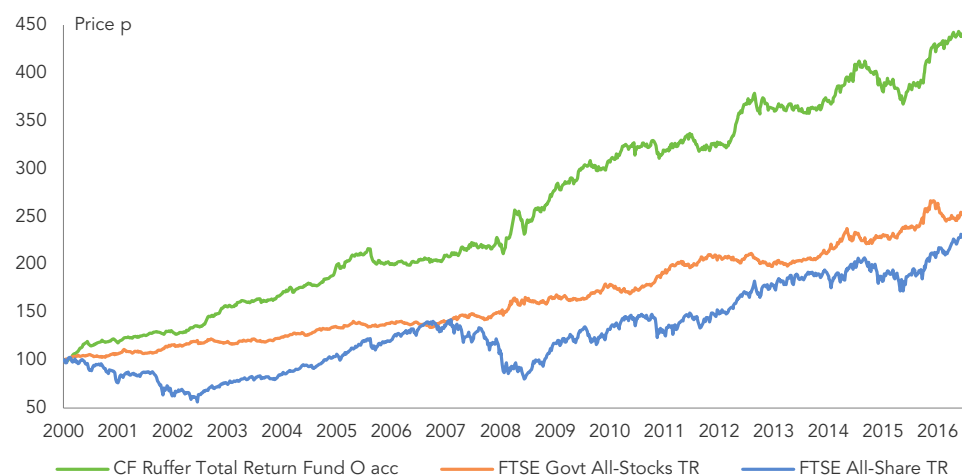
Over the month we have been drawing in our horns by slightly trimming equities, selling out of Mazda and Loomis. Our caution is reflected in the continuing low equity weighting which remains below 40%.

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 Investment Funds is a UK UCITS. The CF Ruffer Total Return Fund 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 Total 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, positive returns from an actively managed portfolio of different asset classes, including equities, 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, other transferable securities and derivatives and forward transactions. Pervading this objective is a fundamental philosophy of capital preservation.

Performance since launch on 29 September 2000



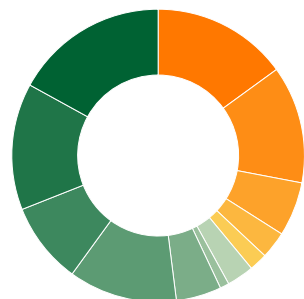
Performance %	March 2017	Year to date	1 year	3 years	5 years	10 years
O accumulation shares	-0.6	-0.4	12.8	20.3	30.7	112.4
Percentage growth (O acc)	%		Share price as at 31 March 2017 p			
31 Mar 2016 – 31 Mar 2017	12.8		O accumulation 435.20			
31 Mar 2015 – 31 Mar 2016	-4.7		O income 295.30			
31 Mar 2014 – 31 Mar 2015	11.8		C accumulation 441.37			
31 Mar 2013 – 31 Mar 2014	-1.6		C income 299.61			
31 Mar 2012 – 31 Mar 2013	10.4					

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 Total Return Fund as at 31 March 2017

Portfolio structure



Asset allocation	%		%
● Non-UK index-linked	17	● Japan equities	15
● Long-dated index-linked gilts	14	● UK equities	13
● Index-linked gilts	9	● North America equities	6
● Cash	12	● Asia ex-Japan equities	3
● Gold and gold equities	5	● Europe equities	2
● Options	1		
● Illiquid strategies	3		



Currency allocation	%
● Sterling	86
● Gold	5
● Yen	5
● Other	4

5 largest of 16 bond holdings

Stock	% of fund	Stock	% of fund
US TIPS 0.125% 2022	5.3	Lloyds Banking Group	2.1
UK Treasury index-linked 1.25% 2055	4.0	Mitsubishi UFJ Financial	2.0
UK Treasury index-linked 1.875% 2022	3.9	T&D	1.9
UK Treasury index-linked 0.375% 2062	3.8	BP	1.8
US TIPS 1.25% 2020	3.5	Sumitomo Mitsui Financial	1.6

Source: Ruffer LLP

5 largest of 81 equity holdings*

*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 £3,128.7m

Fund information

%	O class	C class
Ongoing Charges Figure	1.52	1.22
Annual management charge	1.50	1.20
Maximum initial charge	5.0	5.0
Yield	1.59	1.58
Minimum investment	£1,000	
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	GB0009684100 (acc)	GB00B80L7V87 (acc)
	GB0009684878 (inc)	GB00B58BQH88 (inc)
SEDOL	0968410 (acc)	B80L7V8 (acc)
	0968487 (inc)	B58BQH8 (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 CF Ruffer Investment Funds (OEIC) UK domiciled UCITS Eligible for ISAs	

Dealing line

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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.

Enquiries

Ruffer LLP +44 (0)20 7963 8254
80 Victoria Street rif@ruffer.co.uk
London
SW1E 5JL www.ruffer.co.uk

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