

Ruffer Total Return International

Positive returns with low volatility



C class October 2016 Issue 64

During October the fund rose by 2.1%. 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.

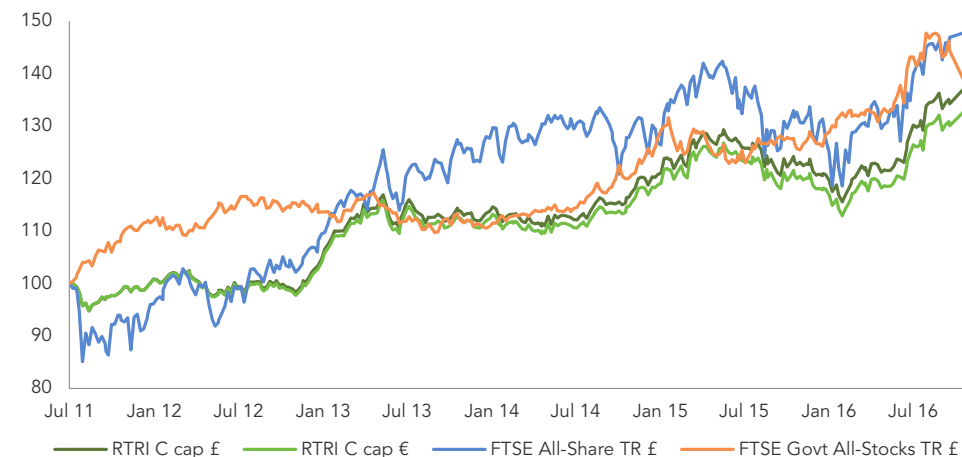
In the portfolio we have kept equities below 40% in view of the present risks, but those stocks we have selected should respond well if growth remains positive. In the last months new purchases have focussed on more economically-sensitive areas such as banks, oil services and cement producers. If economic conditions remain benign we want to ensure we have enough equity exposure to make positive headway.

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Investment objective

The investment objective of Ruffer Total Return International ('the fund') is to achieve positive returns with low volatility from an actively managed portfolio. The fund may have exposure to the following asset classes: cash, debt securities of any type (including government and corporate debt), equities and equity related securities and commodities (including precious metals). Pervading this objective is a fundamental philosophy of capital preservation.

Performance since launch on 14 July 2011 – C class shares



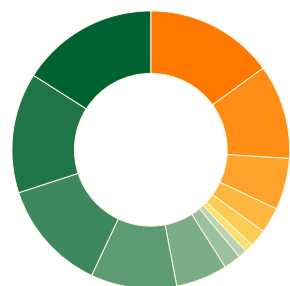
Performance %	October 2016	Year to date	1 year	3 years	5 years	10 years
C GBP capitalisation shares	2.2	13.4	11.2	20.5	39.4	na
Percentage growth (C GBP cap)	%		Share price as at 31 October 2016			
30 Sep 2015 – 30 Sep 2016	11.3		C CHF capitalisation	129.33		
30 Sep 2014 – 30 Sep 2015	4.6		C EUR capitalisation	132.78		
30 Sep 2013 – 30 Sep 2014	2.6		C EUR distribution	131.29		
30 Sep 2012 – 30 Sep 2013	12.5		C GBP capitalisation	137.19		
30 Sep 2011 – 30 Sep 2012	3.6		C GBP distribution	134.67		
			C GBP income	134.40		
			C USD capitalisation	135.31		
			C USD distribution	134.02		

Source: Ruffer LLP, FTSE International Limited (FTSE)[†]

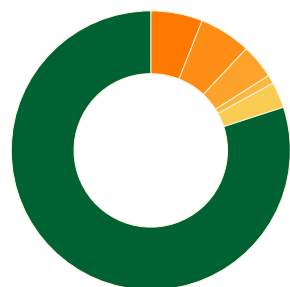
Ruffer performance is shown after deduction of all fees and management charges, and on the basis of income being reinvested. Past performance is not a guide to future performance. The value of the shares and the income from them can go down as well as up and you may not get back the full amount originally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

Ruffer Total Return International as at 31 October 2016

Portfolio structure



Asset allocation	%		%
● Cash	16	● Japan equities	15
● Long-dated index-linked gilts	14	● UK equities	11
● Non-UK index-linked	13	● North America equities	6
● Index-linked gilts	10	● Europe equities	3
● Gold and gold equities	6	● Asia ex-Japan equities	2
● Illiquid strategies	2	● Other	1
● Options	1		



Currency allocation	%
● Sterling	80
● Yen	6
● Gold	6
● US dollar	4
● Euro	1
● Other	3

5 largest of 11 bond holdings

Stock	% of fund	Stock	% of fund
UK Treasury index-linked 0.125% 2068	8.2	ORIX	2.1
UK Treasury index-linked 0.375% 2062	5.7	Sony	2.0
UK Treasury index-linked 0.125% 2019	5.5	Dai-ichi Life Insurance	1.9
UK Treasury index-linked 1.875% 2022	4.9	Lloyds Banking	1.5
US TIPS 1.25% 2020	4.5	Deutsche Post	1.5

Source: Ruffer LLP

5 largest of 58 equity holdings*

Stock	% of fund
ORIX	2.1
Sony	2.0
Dai-ichi Life Insurance	1.9
Lloyds Banking	1.5
Deutsche Post	1.5

* Excludes holdings in pooled funds

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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 £1,854.6m

Fund information

		%
Ongoing Charges Figure*		1.13
Maximum annual management fee (C class)		1.2
Maximum subscription fee		5.0
Minimum investment (or equivalent in other currency)	£10,000,000	
Record date	Third Monday of November	
Ex dividend dates	Next NAV following the record date	
Payment	Within five business days after ex dividend date	
Dealing	Weekly, every Thursday (if not a business day, on the following business day) Plus on the first business day of each month	
Cut-off	4pm Luxembourg time on the day before valuation day (so typically Tuesday and the penultimate business day of the month)	
ISIN and SEDOL	CHF C cap LU0638557743 B45L1M4 EUR C cap LU0638557669 B4MRCS8 EUR C dis LU0779208544 B8BHY14 GBP C cap LU0638557586 B4XQ109 GBP C dis LU0638558048 B4X19Y4 GBP C inc LU1220904186 BWXC1G9 USD C cap LU0638557826 B4WPBZ2 USD C dis LU0779208890 B8BHY81	

Structure Sub fund of Ruffer SICAV, a Luxembourg domiciled UCITS SICAV

Management company, administrative agent, registrar and transfer agent, paying and domiciliary agent FundPartner Solutions (Europe) S.A.

Investment manager Ruffer LLP

Custodian Pictet & Cie (Europe) S.A.

Auditors Ernst & Young S.A.

* Specific share classes available on request

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Fund Managers

Jacques Hirsch

INVESTMENT DIRECTOR

Joined Ruffer in 2011, previous work included fund management and macro research at Goldman Sachs, GLG Partners and Fulcrum Asset Management. Graduated from École Centrale Paris in 1999, and holds an MSc in Mathematics from Oxford University.



Alex Lennard

INVESTMENT DIRECTOR

Joined Ruffer in 2006 after graduating from Exeter University with an honours degree in economics and finance; he is a member of the Chartered Institute for Securities & Investment.



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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