

Ruffer Total Return International

Positive returns with low volatility



O class December 2016 Issue 66

During December the fund price rose by 1.8%. 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 encouraged by its behaviour in the final quarter. With bond prices pressured by rising nominal yields, and gold hit hard by the resurgent 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 global interest rate expectations rose.

As 2017 begins, we are somewhat wary of the market's 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.

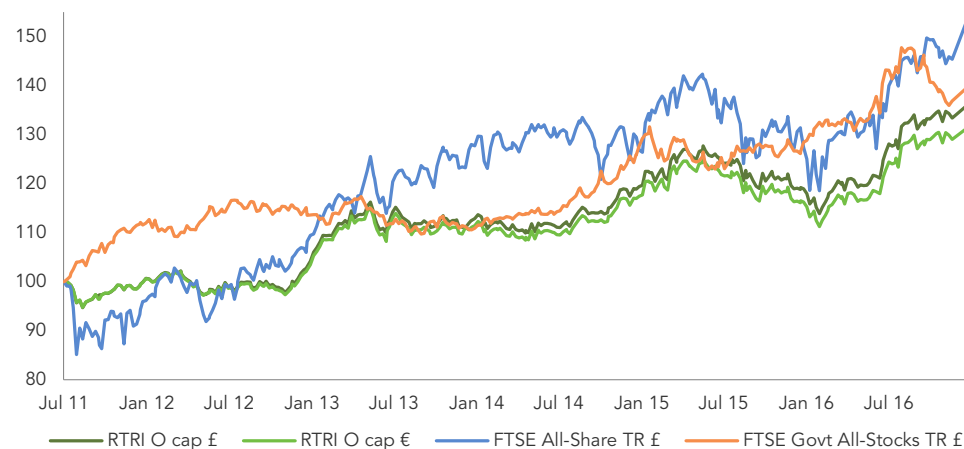
The risk of this latter outturn stands in stark contrast to Japan, where the monetary and fiscal levers continue both to point in an expansionary direction. Indeed the superimposition of rising US bond yields on the Bank of Japan's stated intention to keep Japanese ten year bond yields at zero has produced a pronounced period of yen weakness, with the Japanese currency having now weakened 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. While the investment world continues to be littered with risks, both political and economic, for the moment investor optimism is in the ascendency.

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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 – O class shares



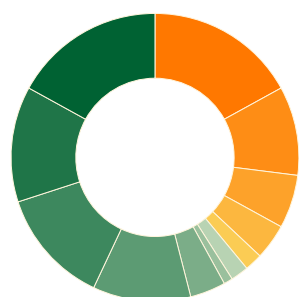
Performance %	December 2016	Year to date	1 year	3 years	5 years	10 years
O GBP capitalisation shares	1.8	13.9	13.9	20.7	36.4	na
Percentage growth (O GBP cap)	%		Share price as at 31 December 2016			
31 Dec 2015 – 31 Dec 2016	13.9		O CHF capitalisation		127.76	
31 Dec 2014 – 31 Dec 2015	0.3		O EUR capitalisation		131.18	
31 Dec 2013 – 31 Dec 2014	5.7		O GBP capitalisation		135.78	
31 Dec 2012 – 31 Dec 2013	9.5		O USD capitalisation		134.10	
31 Dec 2011 – 31 Dec 2012	3.3					

Source: Ruffer LLP, FTSE International (FTSE)†

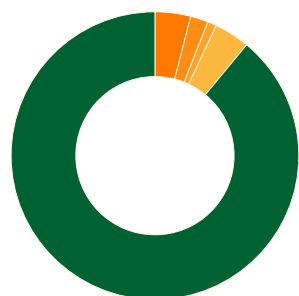
Ruffer performance is shown after deduction of all fees and management charges, and on the basis of income being reinvested. Past performance is not a guide to future performance. The value of the shares and the income from them can go down as well as up and you may not get back the full amount originally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

Ruffer Total Return International as at 31 December 2016

Portfolio structure



Asset allocation	%		%
• Cash	17	• Japan equities	17
• Long-dated index-linked gilts	13	• UK equities	10
• Non-UK index-linked	13	• North America equities	6
• Index-linked gilts	11	• Europe equities	4
• Gold and gold equities	4	• Asia ex-Japan equities	2
• Illiquid strategies	2		
• Options	1		



Currency allocation	%
• Sterling	89
• Gold	4
• US dollar	2
• Yen	1
• Other	4

5 largest of 11 bond holdings

Stock	% of fund
UK Treasury index-linked 0.125% 2068	7.7
UK Treasury index-linked 1.875% 2022	5.8
UK Treasury index-linked 0.125% 2019	5.3
UK Treasury index-linked 0.375% 2062	5.3
US TIPS 1.25% 2020	4.3

Source: Ruffer LLP

5 largest of 58 equity holdings*

Stock	% of fund
Dai-ichi Life Insurance	2.6
Lloyds Banking	2.4
ORIX	2.1
Sony	1.8
Mitsubishi UFJ Financial	1.7

* 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 £1,910.3m

Fund information

	%
Ongoing Charges Figure*	1.45-1.46
Maximum annual management fee (O class)	1.5
Maximum subscription fee	5.0
Minimum investment (or equivalent in other currency)	£1,000
O share classes	Capitalisation only (equivalent to accumulation)
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 O cap LU0638558808 B4R1SD2 EUR O cap LU0638558717 B42NV78 GBP O cap LU0638558634 B41Y053 USD O cap LU0638558980 B449LX0
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

The base currency of the fund is GBP. Share classes denominated in other currencies are hedged to reduce the impact on your investment of movements in the exchange rate between the base currency of the fund (GBP) and the currency of the share class.

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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 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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