

Ruffer Total Return International

Positive returns with low volatility

During January the fund price rose by 0.6%. This compares with a fall of 0.3% in the FTSE All-Share Index and a decline of 1.7% in the FTSE All-Stocks Index (both figures total returns in sterling).

2017 began with a blizzard of forecasts and global prognostications from analysts, strategists and others of the now derided class formerly known as ‘experts’. Many of the same boffins who were confidently forecasting President Trump as a left tail event and a negative market shock just six months ago are now equally confident in anticipating a mini-boom in GDP fired by his policies of deregulation and tax-cuts. Given the heat and noise of the political and moral debate, never has the Buffetism been truer that forecasts usually tell us more about the forecaster than the future.

Whilst investors have reacted positively over the last couple of months, we are reaching a point where the market may require proof of success before advancing much further. Accordingly, our principal activity in January was to cut back equity exposure, taking profits in a range of stocks including BP, Deutsche Post and Fujitsu. This leaves, us we hope, going into 2017 with approximately the right balance between fear and greed in the portfolio. We hold index-linked bonds and some gold, to protect not only against inflation and negative real interest rates, but also to guard against surprise economic weakness, should Trump misfire. In the greed camp the equities are now turned toward cyclicals and financials, so as to benefit, should the current more positive growth environment bring with it the threat of higher interest rates.

Looking back to the events of last year, and their likely influence on markets in 2017, reminds us of a quotation from Vladimir Lenin: ‘There are decades where nothing happens; and there are weeks where decades happen.’ If one looks through a long enough lens, the period since 2009 feels like a single chapter in history. These post-crisis years were defined by a faltering sense of recovery, a dwindling of confidence in the competency and integrity of the establishment and surprisingly strong asset returns spurred on by super low interest rates. The latter point ensured that wealth and inter-generational inequality widened and dissatisfaction with the status quo surged. Asset owners benefited, and those whose only asset was their labour did not.

The second half of 2016 was the beginning of a new chapter and the longer electorates see rebellion not resulting in the threatened economic calamity, the more emboldened they will be to depose those in power. Markets are still (just) reacting positively to the policy proposals emerging from Washington. However, nationalism, de-globalisation and soaking the rich are hardly a positive environment for savers and investors. Asset prices have benefited from the Goldilocks scenario of moderate growth, benign inflation and unprecedentedly low interest rates. If inflation and growth improve then interest rates would have to rise, thereby tightening financial conditions. Counterintuitively, history tells us strong growth can be bad for the stock market when coupled with either higher inflation or higher interest rates. Investors should be careful what they wish for.

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○ class January 2017 Issue 67

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 %	January 2017	Year to date	1 year	3 years	5 years	10 years
○ GBP capitalisation shares	0.6	0.6	16.6	21.8	36.3	na
Percentage growth (○ GBP cap)	%		Share price as at 31 January 2017			
31 Dec 2015 – 31 Dec 2016	13.9		○ CHF capitalisation		128.23	
31 Dec 2014 – 31 Dec 2015	0.3		○ EUR capitalisation		131.74	
31 Dec 2013 – 31 Dec 2014	5.7		○ GBP capitalisation		136.53	
31 Dec 2012 – 31 Dec 2013	9.5		○ USD capitalisation		134.94	
31 Dec 2011 – 31 Dec 2012	3.3					

Source: Ruffer LLP, FTSE International (FTSE)†

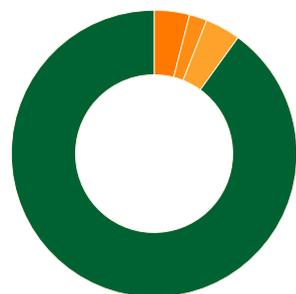
Ruffer performance is shown after deduction of all fees and management charges, and on the basis of income being reinvested. Past performance is not a guide to future performance. The value of the shares and the income from them can go down as well as up and you may not get back the full amount originally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

Ruffer Total Return International as at 31 January 2017

Portfolio structure



Asset allocation	%		%
• Cash	16	• Japan equities	16
• Long-dated index-linked gilts	13	• UK equities	11
• 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
• Options	2		
• Illiquid strategies	2		



Currency allocation	%
• Sterling	90
• Gold	4
• Yen	2
• Other	4

5 largest of 10 bond holdings

Stock	% of fund
UK Treasury index-linked 0.125% 2068	7.4
US TIPS 1.25% 2020	5.9
UK Treasury index-linked 1.875% 2022	5.7
UK Treasury index-linked 0.375% 2062	5.5
UK Treasury index-linked 0.125% 2019	5.2

5 largest of 59 equity holdings*

Stock	% of fund
Dai-ichi Life Insurance	2.9
Lloyds Banking	2.5
Sony	2.2
ORIX	2.1
Mitsubishi UFJ Financial	1.7

Source: Ruffer LLP

* 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 **£1,968.0m**

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 January 2017, assets managed by the Ruffer Group exceeded £20.8bn, of which over £11.6bn was managed in open-ended Ruffer funds.

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