

# Ruffer Total Return International

Positive returns with low volatility



O class September 2018 Issue 87

During September, the fund price rose by 0.2%. This compares with a rise of 0.7% in the FTSE All-Share Index and a fall of 1.5% in the FTSE Govt All Stocks index (all figures total returns in sterling).

It is striking how little change there has been to the narrative of financial markets in the last two years. As global growth continues to recover and unemployment falls, there are two key questions for investors: a) Is the global economy strong enough to tolerate higher interest rates? b) What will be the impact on financial markets as liquidity conditions tighten? This dilemma continues to play out against a backdrop of rising political tensions: chief amongst these are Brexit, Italian budgets and trade wars. The same questions were asked as Donald Trump came to power in 2016 and despite having seen eight interest rate hikes from the Federal Reserve in this cycle, it is still no clearer at what point this tightening starts to bite and has a material negative impact on asset prices.

For much of September, the strength of the global economy dominated sentiment. The prospect of higher rates and steeper yield curves saw bonds fall and equity markets rotate towards more economically sensitive areas: oil majors, commodities and financials provided market leadership. Japanese equities benefited and stresses in emerging markets, which haunted markets for much of the summer, temporarily receded. This came to an abrupt end on the penultimate day of the month with the announcement of the Italian budget. As had been feared, the populist coalition announced plans for a budget deficit three times that previously forecast, threatening to break eurozone budget rules. Risk assets turned abruptly, with bond yields and European equities falling sharply. The Italian government pointed to the additional growth this fiscal splurge would generate – strikingly similar to the narrative of the Trump administration two years earlier. This time around, markets were less forgiving principally because of the likelihood of overshooting the new deficit target, but also because of the fragilities of the single currency. This reaction further highlights the risk in markets: the global economy is fine, but as global policy tightens, the weakest links are being punished in a way they weren't in recent years.

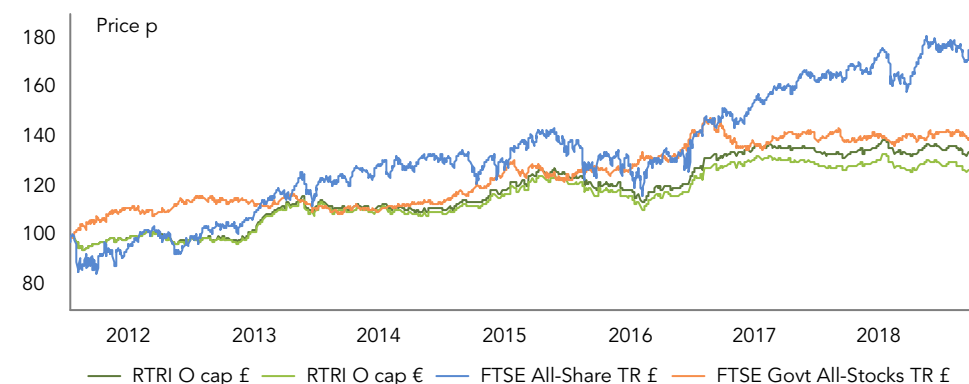
Despite remaining cautious of markets, and steadfast in the need for protection, we continue to be of the view that the global economy remains robust, hence our preference for cyclical equities. The risk is that this economic strength may sow the seeds of the next crisis: we saw how this logic could unfold in February. According to Jerome Powell, stable inflation expectations are key to preventing a revenge of the Phillips curve; the danger being that as the recovery continues the Fed may have to move more aggressively than its governors or the market currently think necessary.

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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 fund launch on 14 July 2011



Performance %	September 2018	Year to date	1 year	3 years	5 years
O GBP capitalisation shares	0.2	-0.9	1.9	13.9	21.4

Percentage growth (O GBP cap)	%	Share price as at 30 September 2018	p
30 Sep 2017 – 30 Sep 2018	1.9	O CHF capitalisation	124.26
30 Sep 2016 – 30 Sep 2017	0.7	O EUR capitalisation	128.60
30 Sep 2015 – 30 Sep 2016	11.0	O GBP capitalisation	135.53
30 Sep 2014 – 30 Sep 2015	4.3	O USD capitalisation	136.49
30 Sep 2013 – 30 Sep 2014	2.2		

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.

# Ruffer Total Return International as at 30 Sep 2018

## Asset allocation



### Asset allocation %

Non-UK index-linked	17.7
Long-dated index-linked gilts	12.1
Index-linked gilts	7.6
Gold and gold equities	6.7
Cash	5.8
Illiquid strategies and options	4.6
Short-dated bonds	3.0

## Currency allocation



### Currency allocation %

Sterling	72.7
US dollar	9.8
Yen	7.3
Gold	6.7
Euro	0.6
Other	2.9

## 10 largest of 48 equity holdings\*

Stock	% of fund
Dai-ichi Life Insurance	2.7
Sumitomo Mitsui Financial	2.5
Mitsubishi UFJ Financial	2.4
Walt Disney	2.2
Tesco	2.2
Cigna Corporation	2.0
ORIX	1.7
Whitbread	1.5
Royal Bank of Scotland	1.4
GlaxoSmithKline	1.0

## 5 largest of 12 bond holdings

Stock	% of fund
US TIPS 1.25% 2020	6.8
UK Treasury index-linked 0.125% 2068	6.5
UK Treasury index-linked 0.375% 2062	5.5
UK Treasury index-linked 0.125% 2019	4.6
US TIPS 0.625% 2021	3.9

\*Excludes holdings in pooled funds  
Source: Ruffer LLP. Pie chart totals may not equal 100 due to rounding.

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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 £2,331.2m

## Fund information

Ongoing Charges Figure*	1.45
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 Wednesday (if not a business day, on the following business day) Plus on the last calendar 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
Depository bank	Pictet & Cie (Europe) S.A.
Auditors	Ernst & Young S.A.

\* As at 22 Jan 2018.

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 August 2018, assets managed by the Ruffer Group exceeded £22.1bn.

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