

Ruffer Total Return International

Positive returns with low volatility



O class January 2019 Issue 91

During January the fund price rose by 3.5%. This compared with a rise of 4.2% in the FTSE All-Share Index and an increase of 1.1% in the FTSE Govt All Stocks Index (all figures total returns in sterling).

After their pronounced fall in December, January saw global equities recoup some of their losses, rising around 5% in sterling during the month. The principal reason was not hard to find: soothing words from Jerome Powell, chairman of the US Federal Reserve, concerning the future path of US interest rates and the shrinkage of the Fed's balance sheet, both of which had been key factors in December's sell off. With markets sensing that the US central bank was back on their side, little further encouragement was needed for equities to rally sharply.

We are more than a little concerned that the above development has made investors complacent, and increased the Fed's dilemmas going forward. Markets have now priced out any rises in US interest rates this year, even though US jobs growth remains strong, unemployment is at 40 year lows and US wage growth above 3%. If such trends continue, interest rate rises will be back on the table, and the confidence of last month could evaporate rapidly. If, on the other hand, the Fed stands pat in such circumstances, the risk of inflation seeping back into the system will grow, and it will be deemed to be behind the curve and to have lost control of policy. Under those conditions the portfolio's US inflation-linked bonds, which we increased towards the end of last year, will step into the limelight.

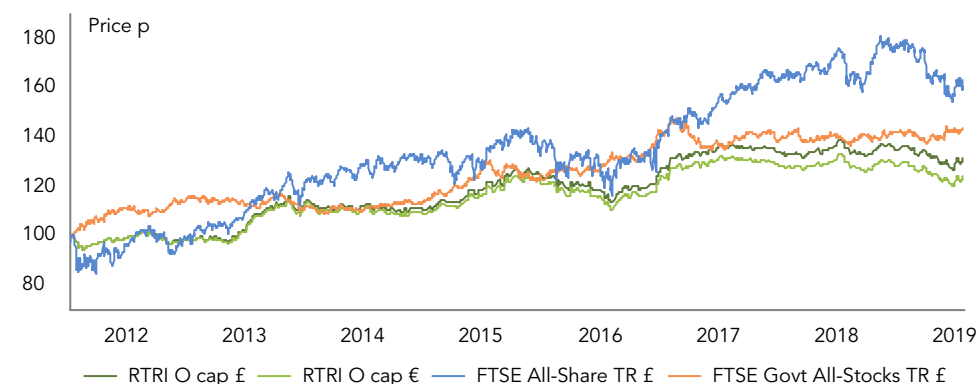
On a short-term view, we have no grouse with the view that equities could rally further, and to that extent it has been pleasing to see several of the portfolio's cyclical stocks, some of which we added to in the extreme weakness of Q4, staging a healthy recovery last month. However, we are loath to raise further the portfolio's exposure to equities. While January saw a strong recovery in credit, we remain concerned about the continuing degradation in lending standards and the lack of risk premium being offered to buyers of corporate bonds. Today, 50% of outstanding investment grade credit is rated BBB, (one notch above junk status), whilst the underlying corporates have higher leverage and the loan documents fewer protective covenants than at the peak of the last cycle. While our credit protections unsurprisingly lost ground in January, giving back some of the near 30% gain made as markets fell in Q4, we took the opportunity brought about by that weakness to reinforce those positions. This reflects our belief that the area of credit remains the most treacherous part of the financial system. With liquidity in this market a shadow of its former self, we believe any accident in corporate bonds could rapidly spread to other risk assets, further supporting our relatively cautious stance.

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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 %	January 2019	Year to date	1 year	3 years	5 years
O GBP capitalisation shares	3.5	3.5	-3.2	12.7	17.8

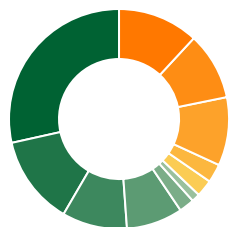
Percentage growth (O GBP cap)	%	Share price as at 31 January 2019	p
31 Dec 2017 – 31 Dec 2018	-6.7	O CHF capitalisation	120.25
31 Dec 2016 – 31 Dec 2017	0.7	O EUR capitalisation	124.60
31 Dec 2015 – 31 Dec 2016	13.9	O GBP capitalisation	131.97
31 Dec 2014 – 31 Dec 2015	0.3	O USD capitalisation	133.64
31 Dec 2013 – 31 Dec 2014	5.7		

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 Jan 2019

Asset allocation



Asset allocation %

● Non-UK index-linked	28.4
● Long-dated index-linked gilts	13.1
● Gold and gold equities	9.4
● Illiquid strategies and options	8.4
● Index-linked gilts	2.1
● Cash	1.2
● UK equities	11.8
● North America equities	10.0
● Japan equities	9.9
● Asia ex-Japan equities	2.9
● Europe equities	2.5

Currency allocation %

● Sterling	71.6
● Gold	9.4
● Yen	9.0
● US dollar	6.7
● Euro	0.5
● Other	2.8

Currency allocation



10 largest of 44 equity holdings*

Stock	% of fund
Walt Disney Company	2.4
Tesco	2.1
Cigna Corporation	1.8
Barrick Gold	1.8
Dai-ichi Life Insurance	1.7
Whitbread	1.7
Mitsubishi UFJ Financial	1.5
Royal Bank of Scotland	1.3
Lloyds Banking Group	1.3
ORIX	1.2

5 largest of 17 bond holdings

Stock	% of fund
UK Treasury index-linked 0.125% 2068	7.1
UK Treasury index-linked 0.375% 2062	6.0
US Treasury TIPS 1.25% 2020	4.4
US Treasury 0.375% TIPS 2023	4.0
US Treasury 0.125% TIPS 2021	3.3

*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 £2,156.7m

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 December 2018, assets managed by the Ruffer Group exceeded £20.9bn.

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