

Ruffer Total Return International

Positive returns with low volatility



O class November 2016 Issue 65

During November the fund price fell by 1.1%. This compares with a fall of 1.6% in the FTSE All-Share Index and a decline of 1.3% in the FTSE All-Stocks Index (both figures total returns in sterling).

This month's commentary focuses less on Donald Trump's unexpected victory in the US presidential election, but rather on the stress test posed to our portfolio by the subsequent market moves. In what seems a dress rehearsal for a future inflation-driven move in asset prices, we have seen a significant repricing (ie sell-off) across global bonds. Yields have spiked higher on the prospect of fiscal stimulus under President-elect Trump, with the benchmark US 10 year bond yield leaping from 1.8% pre-election to 2.4%. This has triggered a reversal of the prevailing mood within equity markets, where supposedly safe 'bond-like' equities have sold off sharply, with investors rotating into more cyclical/value stocks and financials.

Despite registering a small loss for the month, we feel the portfolio has passed this 'stress test' if not with flying colours, then at least satisfactorily. We aim to build an 'all weather' portfolio that not only protects investors from the painful consequences of events we can foresee, but is also sufficiently robust to withstand shorter term movements that could blow us off course. Our long term compass is firmly set to inflation and negative real interest rates, and therefore we cherish the portfolio's long-dated index-linked bonds. Having performed so well for us already this year, we have been acutely aware that a sharp rise in bond yields could reverse the strong performance of the portfolio.

Trump's election victory has delivered just such a shock to investors, even if we see it as simply another step on the path towards inflation. As bond yields spiked higher, and with investors unable as yet to truly distinguish between real and nominal interest rates, our index-linked bonds have fallen back sharply. We have weathered this setback thanks to the offsets built up in the rest of the portfolio. Interest rate options are part of this armoury, and have performed well, but it is Japanese financials that have shone as offsets to falling bond prices. Japanese banks and life insurers made double digit gains in November, with one of our largest holdings, MUFJ, up over 20%.

Having long purged the portfolio of 'bond-like' equities we were largely immune to the sell-off in this area, whilst our positioning in cyclical equities has been rewarded with gains from stocks such as Tenaris, Ingevity and WestRock. Thus, despite the longest dated index-linked bond in the portfolio falling by 17% from its October high (with shorter durations following suit), the fund price has barely moved, thereby preserving the double digit gains for the overall portfolio so far this year.

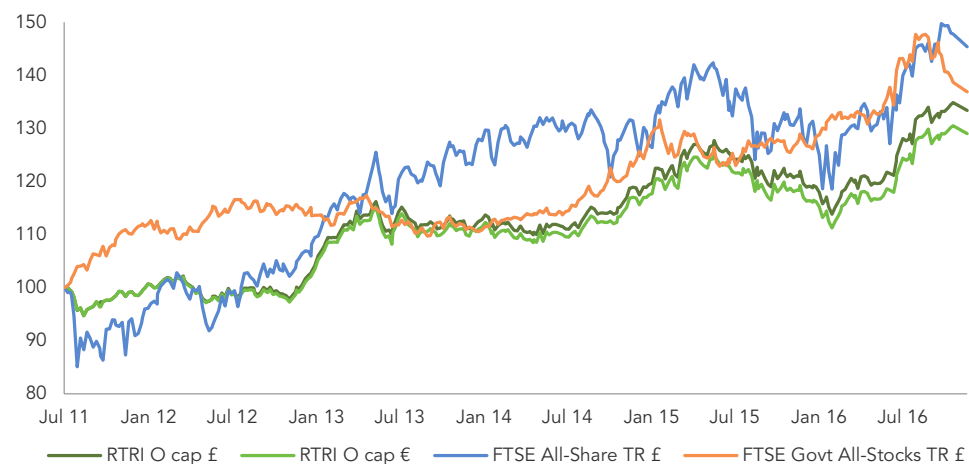
Trump's election marks the end of omnipotent central banks and the pre-eminence of monetary policy, with politics now taking central stage. Fiscal expansion seems more likely to herald inflation than a surge in real growth. However, such tectonic shifts occur slowly, so we repeat our suggestion that November's market moves are merely a dress rehearsal for a far greater shift in asset prices in the future.

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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



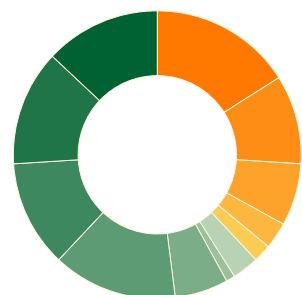
Performance %	November 2016	Year to date	1 year	3 years	5 years	10 years
O GBP capitalisation shares	-1.1	11.9	10.3	18.5	34.6	na
Percentage growth (O GBP cap)		%				
30 Sep 2015 – 30 Sep 2016	11.0	Share price as at 30 November 2016				
30 Sep 2014 – 30 Sep 2015	4.3	O CHF capitalisation				
30 Sep 2013 – 30 Sep 2014	2.2	125.71				
30 Sep 2012 – 30 Sep 2013	12.2	O EUR capitalisation				
30 Sep 2011 – 30 Sep 2012	3.3	129.04				
		O GBP capitalisation				
		133.42				
		O USD capitalisation				
		131.57				

Source: Ruffer LLP, FTSE International (FTSE)†

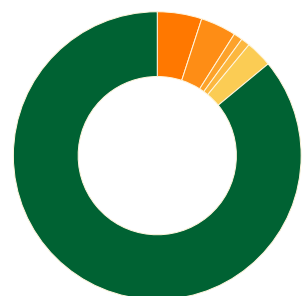
Ruffer performance is shown after deduction of all fees and management charges, and on the basis of income being reinvested. Past performance is not a guide to future performance. The value of the shares and the income from them can go down as well as up and you may not get back the full amount originally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

Ruffer Total Return International as at 30 November 2016

Portfolio structure



Asset allocation	%		%
• Long-dated index-linked gilts	13	• Japan equities	16
• Non-UK index-linked	13	• UK equities	10
• Index-linked gilts	12	• North America equities	7
• Cash	14	• Europe equities	3
• Gold and gold equities	6	• Asia ex-Japan equities	2
• Illiquid strategies	3		
• Options	1		



Currency allocation	%
• Sterling	86
• US dollar	5
• Gold	4
• Euro	1
• Yen	1
• Other	3

5 largest of 11 bond holdings

Stock	% of fund	Stock	% of fund
UK Treasury index-linked 0.125% 2068	7.5	Dai-ichi Life Insurance	2.6
UK Treasury index-linked 1.875% 2022	6.1	ORIX	2.2
UK Treasury index-linked 0.125% 2019	5.6	Sony	1.9
UK Treasury index-linked 0.375% 2062	5.2	Lloyds Banking	1.7
US TIPS 1.25% 2020	4.5	Mitsubishi UFJ Financial	1.6

Source: Ruffer LLP

5 largest of 61 equity holdings*

Stock	% of fund
Dai-ichi Life Insurance	2.6
ORIX	2.2
Sony	1.9
Lloyds Banking	1.7
Mitsubishi UFJ Financial	1.6

* 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 **£1,810.8m**

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 30 November 2016, assets managed by the Ruffer Group exceeded £20.3bn, of which over £11.2bn was managed in open-ended Ruffer funds.

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