Ruffer Total Return International

Positive returns with low volatility

C class February 2019 **Issue 92**

During February, the fund price fell by 2.6%. This compared with a rise of 2.3% in the FTSE All-Share Index and a decline of 0.9% in the FTSE Govt All Stocks Index (all figures total returns in sterling).

We are positioned to capture some of the bounce in markets, but we have not compromised on protection in order to achieve this. In January this was reasonably effective (+3%) but in February protective assets have been a drag on performance. Following recent meetings, we have decided to share our answers to some common questions.

Given your cautious outlook, why do you hold high-beta cyclical businesses? We have a low weighting to equities (41%). Their role is to make us money if we are wrong (or early) in having a cautious outlook and they need to punch hard to offset the cost of protective assets. A sustained rally in markets (not our core thesis) will be driven by supportive monetary policy or a stronger-for-longer economy – an environment where cyclical businesses will benefit most. This scenario is also likely to see an initial period of rising real interest rates, which would hurt index-linked bonds.

You have been concerned about credit markets – how will you benefit from that insight and why does it matter if I don't hold corporate bonds? We have exposure to credit default swaps, which will rise in value as credit spreads widen (ie investors price greater risk into corporate bonds). The rising tide of low interest rates and abundant liquidity over the last decade has led to a bonanza in corporate debt issuance as savers reached for yield. This tide is now receding. Many corporate bonds are illiquid and are held in vehicles promising daily or weekly liquidity; not a problem when flows are positive but deeply problematic when they reverse. A blow-up in corporate credit has wider implications – rising corporate borrowing costs will affect equity prices and the illiquidity of corporate bonds means that investors will turn to more liquid markets (equities) to de-risk if they cannot sell corporate bonds.

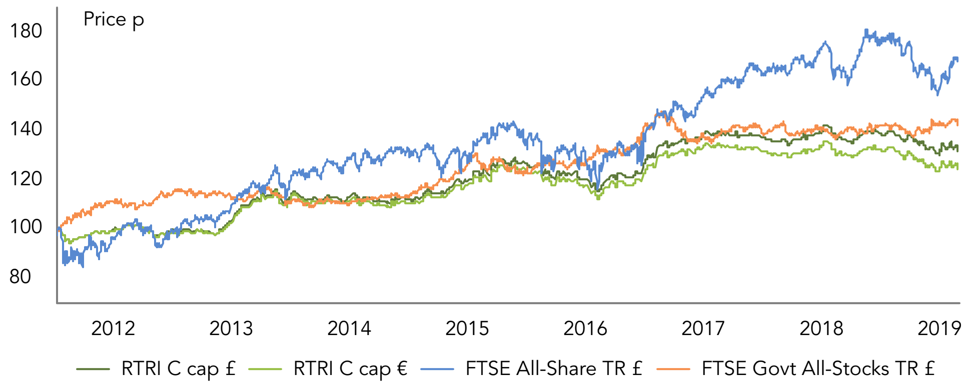
Why have you reduced exposure to Japanese equities? This was part of an overall reduction in equity exposure last year. The sales were focused on financial stocks as the biting point for global rates appears now to be lower than previously anticipated. However, the domestic story around Abenomics remains compelling. Corporate governance reforms and ROE targets are working. The most tangible impact has been rising dividends and share buybacks and we expect this to continue.

How has gold exposure changed in the last year? We increased exposure to bullion in July and then in September partially switched into gold miners. Both of these changes had a positive impact as the initial rise in the gold price was followed by a period of M&A in the sector.

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 %	February 2019	Year to date	1 year	3 years	5 years
C GBP capitalisation shares	-2.6	0.8	-4.4	10.7	16.6

Percentage growth (C GBP cap)	%
31 Dec 2017 – 31 Dec 2018	-6.5
31 Dec 2016 – 31 Dec 2017	1.0
31 Dec 2015 – 31 Dec 2016	14.3
31 Dec 2014 – 31 Dec 2015	0.6
31 Dec 2013 – 31 Dec 2014	6.0

Source: Ruffer LLP, FTSE International (FTSE) †

Share price as at 28 February 2019		p
C CHF	capitalisation	119.81
C EUR	capitalisation	124.19
C EUR	distribution	122.49
C GBP	capitalisation	131.69
C GBP	distribution	128.72
C GBP	income	124.99
C USD	capitalisation	133.47
C USD	distribution	131.72

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 28 Feb 2019

Asset allocation

Currency allocation

Asset allocation	%
Non-UK index-linked	27.7
Long-dated index-linked gilts	13.8
Gold and gold equities	7.7
Illiquid strategies and options	7.4
Index-linked gilts	1.6
Cash	1.3
North America equities	12.5
UK equities	10.9
Japan equities	10.1
Europe equities	4.0
Asia ex-Japan equities	3.1

Currency allocation	%
Sterling	74.4
Gold	7.5
US dollar	7.4
Yen	4.9
Euro	2.8
Other	3.1

10 largest of 49 equity holdings*

Stock	% of fund
Walt Disney Company	2.3
Tesco	2.1
Whitbread	1.7
Cigna Corporation	1.6
Mitsubishi UFJ Financial	1.5
Royal Bank of Scotland	1.4
ArcelorMittal	1.3
Barrick Gold	1.2
ORIX	1.2
Celgene Corporation	1.2

5 largest of 17 bond holdings

Stock	% of fund
UK Treasury index-linked 0.125% 2068	7.5
UK Treasury index-linked 0.375% 2062	6.3
US Treasury 0.375% TIPS 2023	4.2
US Treasury 0.125% TIPS 2021	3.4
US Treasury 0.625% TIPS 2021	3.2

*Excludes holdings in pooled funds

Source: Ruffer LLP.
Pie chart totals may not equal 100 due to rounding.

Fund size £1,990.6m

Fund information

	%
Ongoing Charges Figure*	1.13
Maximum annual management fee (C class)	1.2
Maximum subscription fee	5.0
Minimum investment (or equivalent in other currency)	£10,000,000
Record date	Third Monday of November
Ex dividend dates	Next NAV following the record date
Payment	Within five business days after ex dividend date
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	C cap	LU0638557743	B45L1M4
	EUR	C cap	LU0638557669	B4MRCS8
	EUR	C dis	LU0779208544	B8BHY14
	GBP	C cap	LU0638557586	B4XQ109
	GBP	C dis	LU0638558048	B4X19Y4
	GBP	C inc	LU1220904186	BWXC1G9
	USD	C cap	LU0638557826	B4WPBZ2
	USD	C dis	LU0779208890	B8BHY81

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
Depositary 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 January 2019, assets managed by the Ruffer Group exceeded £21.1bn.

Enquiries

Ruffer LLP
80 Victoria Street
London SW1E 5JL

+44 (0)20 7963 8254
rif@ruffer.co.uk
www.ruffer.co.uk