

Ruffer Total Return International

Positive returns with low volatility

During February, the fund price fell by 1.1%. This compares with a fall of 3.3% for the FTSE All-Share Total Return Index and a rise of 0.2% for the FTSE Govt All-Stocks Index (all figures total returns in sterling).

Last month we commented on the inherent instability observable in financial markets, noting that volatility seemed likely to be at the heart of any market setback, and so, somewhat faster than expected, it turned out. On the back of seemingly 'good' news from the US, in the form of better jobs and wages data, bond yields rose, equity prices fell and volatility spiked up to what would normally be viewed as 'crisis' levels. The proximate reasons for this spike in volatility: the demise of exchange-traded funds (ETFs) explicitly shorting the VIX index and widespread use of implicit 'short volatility' strategies, have all been well documented. Although stock markets recovered some poise by the end of the month, we believe that the outsized move in volatility has laid bare an underlying fragility in equity markets. Investors' portfolios are probably more risky than they believe and low volatility has been a key element of this. We took some profits in our volatility options, but consistent with holding this as crisis protection, were unwilling to cash in all our initial gains on what remained just a market correction. These gains offset some losses in our equity holdings, but were insufficient to keep the performance in positive territory for the month overall.

Whilst February's 'vol shock' may turn out to have been no more than a temporary tremor in financial markets, it underlines the difficulties in protecting portfolios in a period when equity market declines are unlikely to be offset by rising bond prices. Indeed, in contrast to all the previous episodes this century when volatility has spiked higher, this market 'tremor' saw supposedly safe haven assets, such as US government bonds and gold, post losses alongside stock markets.

All this meant that Jay Powell, the new Chairman of the US Federal Reserve, had a rather uncomfortable first day in office, coinciding as it did with the volatility spike and a sharp drop in stock markets. Any sense of relief on passing a difficult initiation is likely to be short-lived however and we believe the new chairman finds himself in the difficult position of being 'damned if he does and damned if he doesn't'. If the Fed raises interest rates faster or further than the market currently expects, then there is a real danger that this is more than an indebted global economy can tolerate, and certainly more than fragile financial markets can bear. If the Fed, fearful of the impact on both the financial and real economy, shies away from tightening financial conditions sufficiently, then inflation pressures are likely to mount and both equity and bond markets could sell-off regardless. Our index-linked bonds stand guard against higher inflation, but protecting against the potholes in the journey to inflation could be problematic. Accordingly, we have trimmed back equity holdings to below 40% and added to our dollar exposure. We fear markets may get more, rather than less, dangerous as the year progresses.

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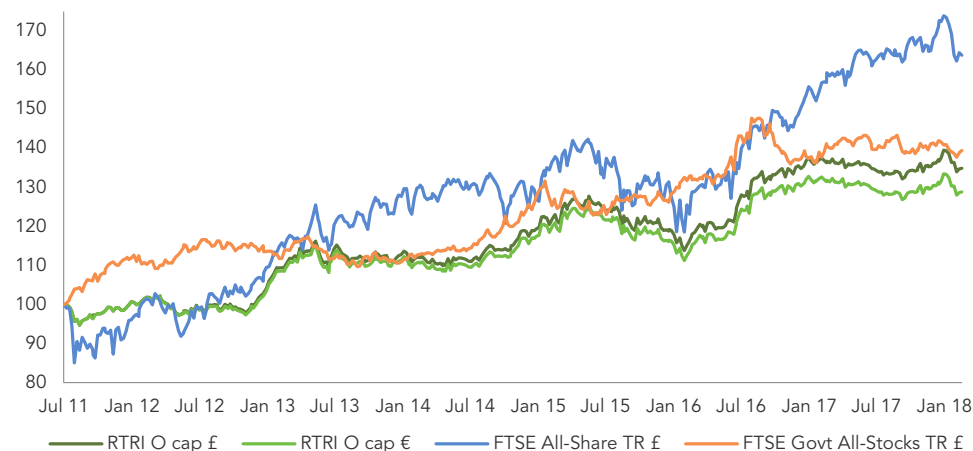


O class February 2018 Issue 80

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



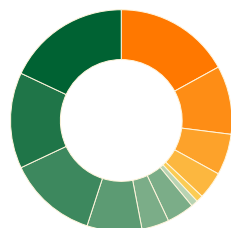
Performance %	February 2018	Year to date	1 year	3 years	5 years	10 years	
O GBP capitalisation shares	-1.1	-1.4	-1.1	9.6	22.8	na	
Percentage growth (O GBP cap)	%		Share price as at 28 February 2018				
31 Dec 2016 – 31 Dec 2017	0.7		O CHF capitalisation				124.79
31 Dec 2015 – 31 Dec 2016	13.9		O EUR capitalisation				128.85
31 Dec 2014 – 31 Dec 2015	0.3		O GBP capitalisation				134.88
31 Dec 2013 – 31 Dec 2014	5.7		O USD capitalisation				134.62
31 Dec 2012 – 31 Dec 2013	9.5						

Source: Ruffer LLP, FTSE International (FTSE)†

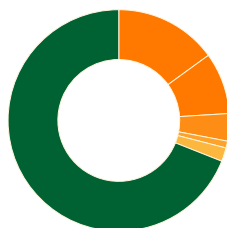
Ruffer performance is shown after deduction of all fees and management charges, and on the basis of income being reinvested. Past performance is not a guide to future performance. The value of the shares and the income from them can go down as well as up and you may not get back the full amount originally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

Ruffer Total Return International as at 28 February 2018

Asset allocation



Currency allocation



10 largest of 57 equity holdings*

Stock	% of fund
Dai-ichi Life Insurance	2.9
Mitsubishi UFJ Financial	2.3
Tesco	2.1
ORIX	2.1
Sumitomo Mitsui Financial	1.9
Vivendi	1.7
Walt Disney	1.7
Sony	1.5
Mizuho Financial	1.5
Royal Bank of Scotland	1.3

5 largest of 10 bond holdings

Stock	% of fund
UK Treasury index-linked 0.125% 2068	7.1
US TIPS 1.25% 2020	6.4
UK Treasury index-linked 0.375% 2062	5.6
UK Treasury index-linked 0.125% 2019	4.6
US TIPS 0.625% 2021	3.4

*Excludes holdings in pooled funds
Source: Ruffer LLP

Asset allocation

Asset Allocation Category	Percentage
Cash	18
Non-UK index-linked	14
Long-dated index-linked gilts	13
Index-linked gilts	8
Illiquid strategies	4
Gold and gold equities	4
Options	1
Japan equities	17
UK equities	10
North America equities	6
Europe equities	4
Asia ex-Japan equities	1

Currency allocation

Currency Allocation Category	Percentage
Sterling	69
US dollar	15
Yen	9
Gold	4
Euro	1
Other	2

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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 £2,344.6m

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 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

Depository bank Pictet & Cie (Europe) S.A.

Auditors Ernst & Young S.A.

* As at 31 Dec 2017. 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 28 February 2018, assets managed by the Ruffer Group exceeded £22.5bn, of which over £13.8bn was managed in open-ended Ruffer funds.

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