Ruffer Total Return International

Positive returns with low volatility

O class March 2018 **Issue 81**

During March, the fund price fell by 1.0%. This compares with a fall of 1.8% for the FTSE All-Share Total Return Index and a rise of 2.0% for the FTSE Government All-Stocks Index (all figures total returns in sterling).

The main news flow during the month related to good old-fashioned geopolitical tensions. The risk of President Trump's tariff chatter becoming a reality had a meaningful impact as the possibility of trade wars became more likely. Technology stocks also suffered, led by Facebook as the company came under scrutiny for the (mis)use of customer data.

Perhaps the most significant feature of financial markets in both February and March has been the scarcity of hiding places. Many traditional safe-havens failed to perform. In sterling terms, gold, gilts, treasuries, the dollar and the Swiss franc have all fallen in value since the start of the year. For most of the last 30 years (the career span of most fund managers) simply holding a portfolio of equities and bonds has worked well (with a couple of notable exceptions). The promise of central bank support has encouraged and sustained rises in asset prices, whilst at times of distress, negative bond-equity correlation has ensured a portfolio of equities and bonds would be sufficient to make at least some headway. More recently zero interest rates have suppressed yields while also driving up equity values. This has resulted in a significant increase in the correlation between equities and bonds, which has substantially reduced the effectiveness of traditional offsetting assets. For this reason, we have stressed the importance of some of the more esoteric parts of the portfolio, principally the option exposure and credit default swaps. We think that recent correlation is here to stay and, if we are right, these assets will have an important role to play. Our option exposure is positioned to protect from large market moves not bumps in the road. The latter would likely result in a zero-sum game or worse, and we prefer to focus on what we fear will be the significant inflection points.

Where do we go from here? The bulls will view the 7% fall in global equities in the last ten weeks as a bump in the road. The bears fall into two camps. On the one hand, this is the late stage of the economic cycle and valuations look unjustifiably high. On the other, the combination of recent fiscal stimulus on top of an overheating US economy will lead to a spike in inflation and bond yields, undermining the argument that high valuations in equities can be justified by low interest rates. We would fall into the latter camp, yet remain cognisant of the fact that economic growth could remain robust. In this case, we want our equities to benefit and hence the bias towards cyclical stocks. In the very short-term, the summary of Nick Carn of Carn Macro Advisors seems apt: markets will continue to behave in a way that disappoints the bulls and frustrates the bears. After February's sell-off (on seemingly good economic news), we should all be careful what we wish for.

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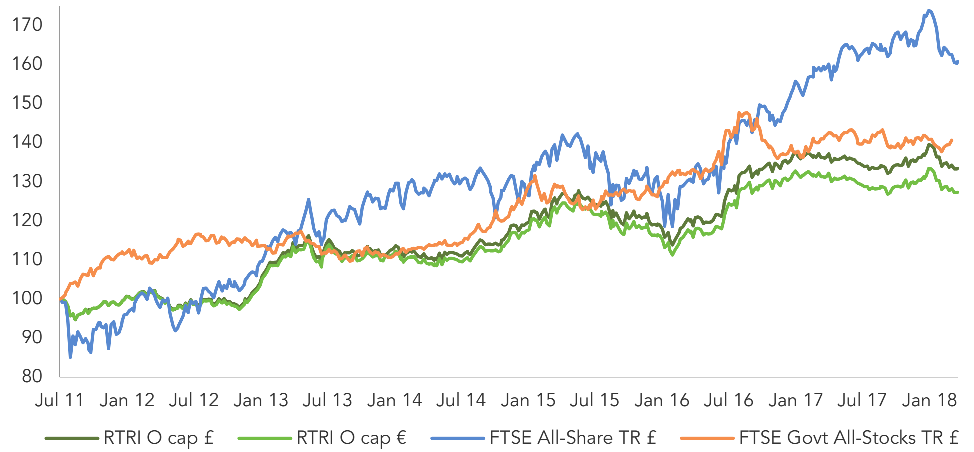
Investment objective

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 %	March 2018	Year to date	1 year	3 years	5 years	10 years
O GBP capitalisation shares	-1.0	-2.4	-1.9	7.3	19.3	na

Percentage growth (O GBP cap)	%
31 Mar 2017 – 31 Mar 2018	-1.9
31 Mar 2016 – 31 Mar 2017	13.1
31 Mar 2015 – 31 Mar 2016	-3.3
31 Mar 2014 – 31 Mar 2015	11.6
31 Mar 2013 – 31 Mar 2014	-0.7

Source: Ruffer LLP, FTSE International (FTSE)†

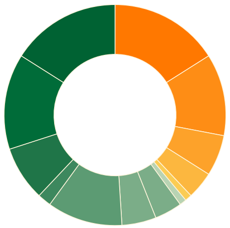
Share price as at 31 March 2018	
O CHF capitalisation	123.31
O EUR capitalisation	127.39
O GBP capitalisation	133.49
O USD capitalisation	133.44

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 March 2018

Fund size £2,266.0m

Asset allocation



Currency allocation

Asset allocation	%
Non-UK index-linked	16
Long-dated index-linked gilts	14
Index-linked gilts	8
Short-dated bonds	2
Cash	11
Gold and gold equities	5
Illiquid strategies	4
Options	1
Japan equities	16
UK equities	12
North America equities	6
Europe equities	4
Asia ex-Japan equities	1

Currency allocation	
Sterling	73
US dollar	15
Yen	5
Gold	5
Other	2

10 largest of 57 equity holdings*

Stock	% of fund
Dai-ichi Life Insurance	2.7
Tesco	2.7
Mitsubishi UFJ Financial	2.1
ORIX	2.0
Sumitomo Mitsui Financial	1.9
Vivendi	1.7
Walt Disney	1.6
Sony	1.5
Royal Bank of Scotland	1.3
Japan Post Holdings	1.3

5 largest of 10 bond holdings

Stock	% of fund
UK Treasury index-linked 0.125% 2068	7.6
US TIPS 1.25% 2020	6.5
UK Treasury index-linked 0.375% 2062	6.0
UK Treasury index-linked 0.125% 2019	4.7
US TIPS 0.625% 2021	3.4

*Excludes holdings in pooled funds
Source: Ruffer LLP

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The information contained in this document does not constitute investment advice and should not be used as the basis of any investment decision. References to specific securities are included for the purposes of illustration only and should not be construed as a recommendation to buy or sell these securities. Ruffer LLP has not considered the suitability of this fund against any specific investor's needs and/or risk tolerance. If you are in any doubt, please speak to your financial adviser.

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 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
Depositary bank		Pictet & Cie (Europe) S.A.
Auditors		Ernst & Young S.A.

* As at 22 Jan 2018. 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 31 March 2018, assets managed by the Ruffer Group exceeded £22.0bn, of which over £13.6bn was managed in open-ended Ruffer funds.

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