

Ruffer Total Return International

Positive returns with low volatility



O class December 2018 Issue 90

During December, the fund price fell by 1.7%. This compared with a decline of 3.8% in the FTSE All-Share Index and an increase of 2.5% in the FTSE Govt All Stocks Index (all figures total returns in sterling). In a turbulent month, our protective assets started to come into play. If we were to factor in the positive performance of the protective credit and volatility strategies, which did not price until after the month end, then the NAV would have fallen less than 1%. A further market fall should see the fund perform well. That being said, we have failed in the last 12 months to deliver on Ruffer's *raison d'être*: namely to protect capital and deliver positive returns regardless of the direction of markets. That is disappointing and frustrating to us; more importantly it has been costly to our investors.

The most striking factor about 2018 was the all-encompassing nature of the decline. Recent market volatility has not been an economic event (yet) but a financial market one: the global economy has been growing robustly with the US at the forefront. Yet a Deutsche Bank study demonstrated that more than 90% of asset classes posted losses in dollar terms for the year, a record since 1908. In December, not a single company managed to borrow money in the \$1.2 trillion high yield market and it will go down as the worst December ever for US stocks. Oil plunged 42% from peak to trough with no clear catalyst and President Trump scared the horses by engaging in trade wars and musing about firing the chairman of the Federal Reserve. For the first time in several years, Federal Reserve and Treasury communication policy hurt, rather than helped, the market.

Our equity exposure was focused on cyclical businesses trading on low valuations, which we thought would best capture the benefits of economic growth. Low valuations did not soften the blow as these stocks fell in line with equity markets, but we remain confident that they will be well placed to capture any bounce. We have deliberately chosen to protect the portfolio from material declines rather than buying expensive protection against bumps in the road. As such, the protective investments have only just begun to kick in, the exception being our investments against distress in credit markets – these performed well (up around 30% over the quarter) and we expect them to continue to deliver strong positive returns should the stresses we observe begin to manifest themselves more seriously.

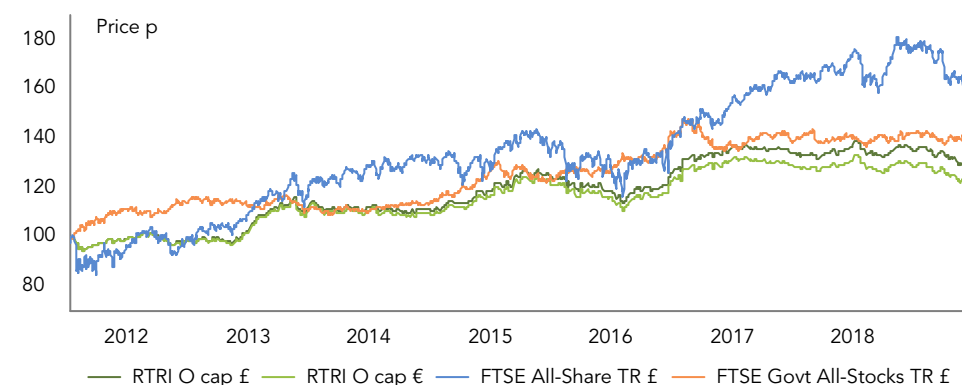
Looking into 2019, credit markets are likely to be the epicentre of the next crisis, but the effects will be felt more widely. The combination of option and credit market protection is powerful and should more than offset any losses in our relatively trim equity exposure. When combined with gold starting to show signs of life and index-linked bonds likely to contribute positively, this should allow us to be greedy when others are fearful.

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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 %	December 2018	Year to date	1 year	3 years	5 years
O GBP capitalisation shares	-1.7	-6.7	-6.7	7.0	13.4

Percentage growth (O GBP cap)	%	Share price as at 31 December 2018	p
31 Dec 2017 – 31 Dec 2018	-6.7	O CHF capitalisation	116.39
31 Dec 2016 – 31 Dec 2017	0.7	O EUR capitalisation	120.59
31 Dec 2015 – 31 Dec 2016	13.9	O GBP capitalisation	127.52
31 Dec 2014 – 31 Dec 2015	0.3	O USD capitalisation	128.93
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 Dec 2018

Asset allocation



Asset allocation %

Asset allocation	%
Non-UK index-linked	30.5
Long-dated index-linked gilts	12.9
Gold and gold equities	9.1
Illiquid strategies and options	5.4
Index-linked gilts	4.8
Cash	2.6
UK equities	11.4
Japan equities	9.6
North America equities	8.4
Asia ex-Japan equities	2.7
Europe equities	2.6

Currency allocation

Currency allocation	%
Sterling	69.0
US dollar	10.0
Yen	9.3
Gold	9.2
Euro	0.1
Other	2.4

Currency allocation



10 largest of 46 equity holdings*

Stock	% of fund
Walt Disney Company	2.5
Tesco	2.1
Dai-ichi Life Insurance	2.0
Whitbread	1.6
Cigna Corporation	1.4
Royal Bank of Scotland	1.3
Mitsubishi UFJ Financial	1.3
ORIX	1.2
iShares Physical Gold	1.1
Sumitomo Mitsui Financial Group	1.0

5 largest of 18 bond holdings

Stock	% of fund
UK Treasury index-linked 0.125% 2068	7.0
UK Treasury index-linked 0.375% 2062	5.9
US Treasury TIPS 1.25% 2020	5.4
US Treasury 0.375% TIPS 2023	4.1
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 £2,142.5m

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 30 November 2018, assets managed by the Ruffer Group exceeded £21.1bn.

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