

Ruffer Total Return International

Positive returns with low volatility



C class August 2019 Issue 98

During August, the fund price rose by 1.1%. This compared with a fall of 3.6% in the FTSE All-Share Index and an increase of 3.5% in the FTSE Govt All Stocks Index (all figures total returns in sterling).

With economic data deteriorating further, most notably in Germany and China, and no early end in sight to the US-China trade spat, August witnessed a further stage in the seemingly unstoppable bull market in government bonds. Negative yielding government debt hit a new record of \$17 trillion, and the yield on 30 year US government stock temporarily went below 2%. With gold's zero yield suddenly not so anomalous, the yellow metal's price rose 8% in US dollar terms, and thus in a month of generally falling equity markets, the portfolio's gold-related investments and inflation-linked bonds were the main contributors to August's positive return.

Where to next? Having cut interest rates by 0.25% at the end of July the US Federal Reserve's Jackson Hole symposium gave little incremental clue as to the future path of interest rates. While financial markets have been quick to price in further rate reductions, the continued robustness of the US consumer, buoyed by continued jobs growth and rising wages, shows clearly the Fed's dilemma, even before taking into account the sustained volley of uncomplimentary tweets from the White House. Elsewhere, a further driver to the narrative of falling yields has been hopes for another big monetary bazooka from the European Central Bank later in September.

Regular readers will be well aware of our view that come the next economic slowdown fiscal policy will have to share in the heavy lifting, and with the UK government's 'magic money tree' coming to resemble a veritable forest, the UK seems set to lead in this respect. With a snap election seemingly avoided in Italy then some fiscal relaxation there seems reasonable to expect. Even in Germany, should the economy worsen further, there is talk of higher government spending, especially if it can be executed under the cover of climate change or a green agenda. For us all of these roads lead to the risk of higher inflation.

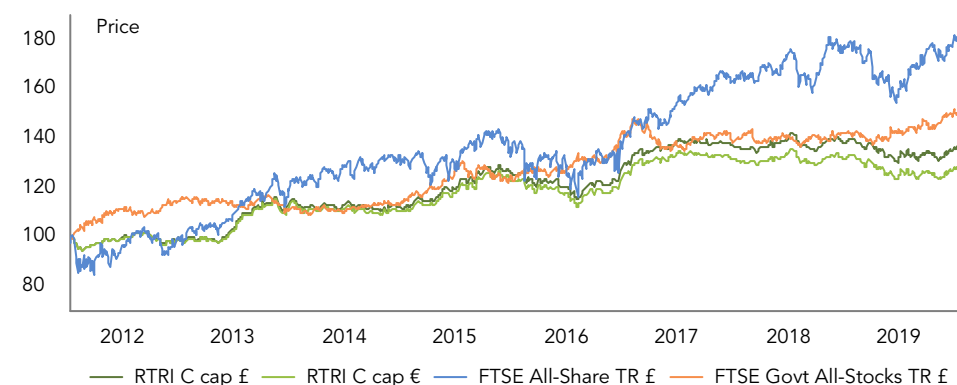
One final puzzle for us has been the continued robust performance of credit as an asset class. With all the talk of economic deceleration, let alone recession, one might have expected wobbles in credit as investors move to price in the risk of higher borrowing spreads or a default cycle. As yet however the credit market has paid much more attention to the story of lower rates than to that of lower activity. So far the poorly performing parts of the credit sphere remain idiosyncratic, but we suspect it is only a matter of time before concerns spread, and the portfolio's credit protections have their moment.

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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 %	August 2019	Year to date	1 year	3 years	5 years
C GBP capitalisation shares	1.1	7.1	1.1	3.3	20.8

Percentage growth (C GBP cap)	%	Share price as at 31 August 2019
30 Jun 2018 – 30 Jun 2019	-2.8	C CHF capitalisation 126.14
30 Jun 2017 – 30 Jun 2018	1.3	C EUR capitalisation 131.04
30 Jun 2016 – 30 Jun 2017	8.4	C EUR distribution 129.24
30 Jun 2015 – 30 Jun 2016	-0.2	C GBP capitalisation 139.88
30 Jun 2014 – 30 Jun 2015	12.7	C GBP distribution 136.73
		C GBP income 132.76
		C USD capitalisation 143.03
		C USD distribution 141.16

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 Aug 2019

Asset allocation



Currency allocation



Asset allocation %

● Long-dated index-linked gilts	16.0
● Non-UK index-linked	15.3
● Short-dated bonds	8.6
● Gold and gold equities	8.2
● Illiquid strategies and options	8.1
● Cash	2.4
● Index-linked gilts	1.6
● North America equities	14.1
● Japan equities	10.0
● UK equities	8.5
● Europe equities	5.2
● Asia ex-Japan equities	2.0

Currency allocation %

● Sterling	73.6
● Yen	8.7
● Gold	8.5
● US dollar	3.1
● Euro	2.7
● Other	3.3

10 largest of 51 equity holdings*

Stock	% of fund
Celgene Corporation	3.0
Walt Disney Company	2.6
Cigna Corporation	1.6
Tesco	1.4
Fujitsu	1.2
National Oilwell Group	1.2
Activision Blizzard	1.1
Hoya	1.1
Bandai Namco	1.0
ORIX	1.0

5 largest of 16 bond holdings

Stock	% of fund
UK Treasury index-linked 0.125% 2068	8.3
UK Treasury index-linked 0.375% 2062	7.7
US Treasury 0.125% TIPS 2021	3.8
US Treasury 0.625% TIPS 2021	3.6
US Treasury 0.125% TIPS 2022	2.6

*Excludes holdings in pooled funds

Source: Ruffer LLP.

Pie chart totals may not equal 100 due to rounding.

Fund size **£1,971.8m**

Fund information

Ongoing Charges Figure	1.12																								
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	<table border="1"> <tbody> <tr> <td>CHF C cap</td> <td>LU0638557743</td> <td>B45L1M4</td> </tr> <tr> <td>EUR C cap</td> <td>LU0638557669</td> <td>B4MRC58</td> </tr> <tr> <td>EUR C dis</td> <td>LU0779208544</td> <td>B8BHY14</td> </tr> <tr> <td>GBP C cap</td> <td>LU0638557586</td> <td>B4XQ109</td> </tr> <tr> <td>GBP C dis</td> <td>LU0638558048</td> <td>B4X19Y4</td> </tr> <tr> <td>GBP C inc</td> <td>LU1220904186</td> <td>BWXC1G9</td> </tr> <tr> <td>USD C cap</td> <td>LU0638557826</td> <td>B4WPB22</td> </tr> <tr> <td>USD C dis</td> <td>LU0779208890</td> <td>B8BHY81</td> </tr> </tbody> </table>	CHF C cap	LU0638557743	B45L1M4	EUR C cap	LU0638557669	B4MRC58	EUR C dis	LU0779208544	B8BHY14	GBP C cap	LU0638557586	B4XQ109	GBP C dis	LU0638558048	B4X19Y4	GBP C inc	LU1220904186	BWXC1G9	USD C cap	LU0638557826	B4WPB22	USD C dis	LU0779208890	B8BHY81
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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.																								

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

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