

Ruffer Total Return International

Positive returns with low volatility



O class May 2017 Issue 71

The fund's O cap GBP shares fell 0.3% over the month. This compares with a increase of 4.4% in the FTSE All-Share Total Return Index and a rise of 0.5% in the FTSE Govt-All Stocks Total Return Index.

As has been the case for much of the last year, politics continued to be the dominant feature of May. As expected, Monsieur Macron defeated Madame Le Pen in the second round of the French election, to little fanfare. Further afield we had the threat of two presidents (Temer and Trump) being impeached within the same week. Both events saw risk assets swoon, although composure was recovered as investors acknowledged that corruption is par for the course for Brazilian presidents and the Republican party showed no appetite for railing against Mr Trump and his venomous Twitter account. Global equities finished the month within touching distance of the all-time highs seen at the end of 2016. By the time this is published we will know the result of the UK election, where anything less than an expanded Conservative majority will be seen as a failure for Theresa May. As the polls have tightened in recent days sterling has given back some of its recent gains. We maintain a substantial exposure to sterling, not as we have any particular insight into the outcome of the election, but more as a reflection of the substantial short positions that exist in the pound.

Without wanting to dwell further on politics, it is worth noting that the Conservative manifesto pledges to balance the budget by 2025-2026, much later than they previously anticipated. This represents further evidence that the balance is continuing to shift from monetary to fiscal policy on a global scale. This development is unlikely to be binary, but given the ever rising populist tide it is likely that governments will continue to need to take a greater part in supporting the economy. It remains our view that this will continue until a point where inflation starts to rise, and it is an open question as to whether the bond markets will be accepting of higher rates, and what impact this may have on equity valuations. Our long-held view is that this shift in regime is unlikely to be positive for either market, but that the fund's inflation-linked bonds and gold exposure, combined with the opportune use of more esoteric protections such as derivatives, will hopefully allow us to preserve capital through what will be an extremely damaging period for asset holders and savers alike.

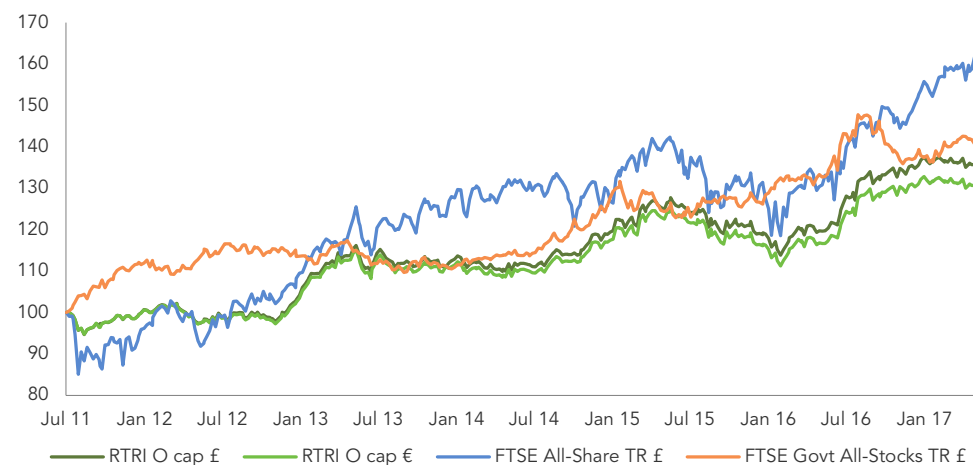
As ever, timing such inflection points is harder than identifying them, and it is for this reason we maintain our equity weightings at around 40%. The current regime of low interest rates and steadily recovering global economies will, absent any exogenous shocks, be positive for equity markets despite their obviously stretched valuations. In this context we have recently added a new holding in drug distribution business McKesson, which with a free cash flow yield in excess of 10% and a price-to-earnings ratio (PE) of 13x, represents one of the few remaining 'bond-like' equities without an extreme valuation. We have also increased the position in HeidelbergCement, which continues to trade at a discount to similar businesses.

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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 % | May 2017 | Year to date | 1 year | 3 years | 5 years | 10 years |
|-------------------------------|----------|----------------------|-------------------------------|---------|---------|----------|
| O GBP capitalisation shares | -0.3 | -0.1 | 12.8 | 21.3 | 37.9 | na |
| Percentage growth (O GBP cap) | % | | Share price as at 31 May 2017 | | | |
| 31 Mar 2016 – 31 Mar 2017 | 13.1 | O CHF capitalisation | | 126.94 | | |
| 31 Mar 2015 – 31 Mar 2016 | -3.3 | O EUR capitalisation | | 130.58 | | |
| 31 Mar 2014 – 31 Mar 2015 | 11.6 | O GBP capitalisation | | 135.70 | | |
| 31 Mar 2013 – 31 Mar 2014 | -0.7 | O USD capitalisation | | 134.38 | | |
| 31 Mar 2012 – 31 Mar 2013 | 10.6 | | | | | |

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.

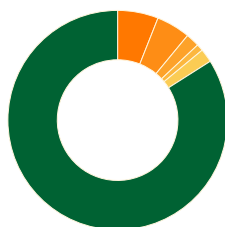
Ruffer Total Return International as at 31 May 2017

Asset allocation



| Asset allocation | % |
|---------------------------------|----|
| ● Index-linked gilts | 15 |
| ● Long-dated index-linked gilts | 13 |
| ● Non-UK index-linked | 12 |
| ● Cash | 11 |
| ● Gold and gold equities | 5 |
| ● Illiquid strategies | 3 |
| ● Japan equities | 16 |
| ● UK equities | 11 |
| ● North America equities | 8 |
| ● Europe equities | 4 |
| ● Asia ex-Japan equities | 2 |
| Currency allocation | % |
| ● Sterling | 84 |
| ● Yen | 6 |
| ● Gold | 5 |
| ● US dollar | 2 |
| ● Euro | 1 |
| ● Other | 2 |

Currency allocation



10 largest of 63 equity holdings*

| Stock | % of fund |
|---------------------------|-----------|
| Dai-ichi Life Insurance | 2.7 |
| Lloyds Banking | 2.7 |
| Sony | 2.3 |
| ORIX | 2.0 |
| Oracle | 1.5 |
| Mitsubishi UFJ Financial | 1.5 |
| Sumitomo Mitsui Financial | 1.3 |
| Mizuho Financial | 1.3 |
| Walt Disney | 1.3 |
| HeidelbergCement | 1.2 |

5 largest of 10 bond holdings

| Stock | % of fund |
|--------------------------------------|-----------|
| UK Treasury index-linked 1.875% 2022 | 9.6 |
| UK Treasury index-linked 0.125% 2068 | 7.1 |
| UK Treasury index-linked 0.375% 2062 | 6.1 |
| US TIPS 1.25% 2020 | 5.4 |
| UK Treasury index-linked 0.125% 2019 | 4.9 |

*Excludes holdings in pooled funds
Source: Ruffer LLP

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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 £2,113.0m

Fund information

| | | |
|------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------|---|
| Ongoing Charges Figure* | 1.44 | % |
| 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 2016. 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 May 2017, assets managed by the Ruffer Group exceeded £21.3bn, of which over £12.2bn was managed in open-ended Ruffer funds.

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