

# Ruffer Total Return International

Positive returns with low volatility



○ class July 2018 Issue 85

In July, the fund price rose by 0.6%. This compared with a rise of 1.3% in the FTSE All-Share Index and a fall of 0.4% in the FTSE Govt All Stocks Index (all figures total returns in sterling).

Unlike the economy, financial markets have lost momentum. Many equity indexes outside of the US are flat or worse year to date – Asian markets are notably in the red with Shanghai down 15%. The troubles in these mercantilist Asian markets are not surprising, given rhetoric on tariffs has evolved into real action. We continue to monitor these developments for the opportunities and threats they pose to individual equity stories and because we believe they act as signposts on the way to a less globalised, and potentially less deflationary world.

Despite the inward looking politics and ‘beggar thy neighbour’ trade policies, the US continues to lead the economic charge. During the Obama administration US GDP growth averaged 2.1% and the idea of ‘secular stagnation’ was all the rage in explaining why structural growth rates would be perennially lower.

In contrast, Trump’s pro-business policy mix has offered significant relief to corporates in the US who have felt inhibited since the global financial crisis. This has caused a mini investment boom and given the economic expansion a second wind. A Q2 US GDP print of 4.1% driven by equipment spending and commercial construction would suggest this cycle has some way left to run. It is possible that 2018 will break records for the global volume of M&A deals. The labour market is in rude health, and finally, we are seeing some of the benefits accrue to workers via wage growth.

The cyclical equities in the fund were profitable this month, benefitting from the combination of rising interest rates and strong economic activity. Significant contributions came from Walt Disney, National Oilwell Varco, Cleveland Cliffs and Japanese financial stocks.

We have been expressing a positive view on the global economy for a couple of years but our optimism has always been tempered by the number of risks that could abruptly end this ‘Goldilocks’ period for financial markets. The technical fragilities that nearly caused a crisis in February are less acute but remain a chronic problem. The looming issue for the coming months will be how a hot economy and elevated financial markets handle tightening financial conditions and any political curve balls.

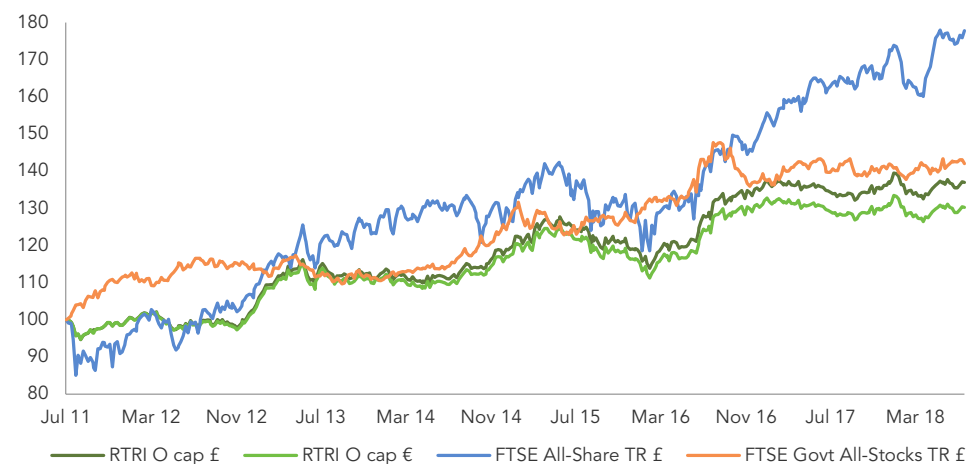
The Fed remains steadfast on raising rates. Yet the market must absorb quantitative tightening running at \$600bn and net issuance of around \$1tn of US treasuries in 2019. It is impossible to forecast at which point rising interest rates or an inverted yield curve will effect equities. However, this market cycle is abnormally long, the punch bowl of easy money is being gradually removed and asset prices are high. It is a time to know the risks in your portfolio and how you might be compensated for taking them.

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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 %	July 2018	Year to date	1 year	3 years	5 years	10 years
○ GBP capitalisation shares	0.6	0.2	2.9	9.5	21.1	na
Percentage growth (○ GBP cap)	%		Share price as at 31 July 2018			
30 Jun 2017 – 30 Jun 2018	1.0	○ CHF capitalisation		125.92		
30 Jun 2016 – 30 Jun 2017	8.1	○ EUR capitalisation		130.27		
30 Jun 2015 – 30 Jun 2016	-0.5	○ GBP capitalisation		136.99		
30 Jun 2014 – 30 Jun 2015	12.4	○ USD capitalisation		137.60		
30 Jun 2013 – 30 Jun 2014	0.0					

Source: Ruffer LLP, FTSE International (FTSE)†

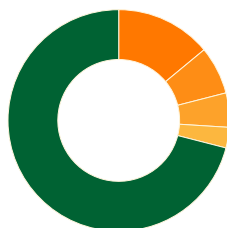
Ruffer performance is shown after deduction of all fees and management charges, and on the basis of income being reinvested. Past performance is not a guide to future performance. The value of the shares and the income from them can go down as well as up and you may not get back the full amount originally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

# Ruffer Total Return International as at 31 July 2018

## Asset allocation



## Currency allocation



## 10 largest of 56 equity holdings\*

Stock	% of fund
Dai-ichi Life Insurance	2.8
Mitsubishi UFJ Financial	2.6
Tesco	2.5
Sumitomo Mitsui Financial	2.3
Walt Disney	2.2
iShares Physical Gold	2.0
ORIX	1.8
Royal Bank of Scotland	1.5
Japan Post Holdings	1.2
Resona Holdings	1.0

## 5 largest of 8 bond holdings

Stock	% of fund
UK Treasury index-linked 0.125% 2068	7.2
US TIPS 1.25% 2020	6.7
UK Treasury index-linked 0.375% 2062	5.7
UK Treasury index-linked 0.125% 2019	4.6
US TIPS 0.625% 2021	3.8

\*Excludes holdings in pooled funds  
Source: Ruffer LLP

## Asset allocation

Asset Allocation Category	Percentage
Non-UK index-linked	15
Long-dated index-linked gilts	13
Cash	8
Gold and gold equities	7
Index-linked gilts	7
Illiquid strategies	4
Short-dated bonds	3

Japan equities	17
UK equities	12
North America equities	9
Asia ex-Japan equities	3
Europe equities	2

## Currency allocation

Currency Allocation Category	Percentage
Sterling	71
US dollar	14
Gold	7
Yen	5
Other	3

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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 £2,358.2m

## 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.

## 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 June 2018, assets managed by the Ruffer Group exceeded £22.3bn.

## Enquiries

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\* 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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