CF Ruffer Total Return Fund

Positive absolute returns with low volatility

JULY 2014
ISSUE 138

Share price as at 31 Jul 2014

O accumulation	**365.96p**
O income	**259.56p**
C accumulation	**368.14p**
C income	**261.18p**

Percentage growth (O acc)	%
30 Jun 2013 – 30 Jun 2014	0.1
30 Jun 2012 – 30 Jun 2013	12.6
30 Jun 2011 – 30 Jun 2012	-1.3
30 Jun 2010 – 30 Jun 2011	9.4
30 Jun 2009 – 30 Jun 2010	15.1

Source: Ruffer LLP

IMA sector ranking
(Mixed investment 20–60% shares)

	Position/No. of funds
1 year	131/133
3 years	98/116
5 years	73/92

Source: Lipper, Morningstar

%	O class	C class
Ongoing Charges Figure (OCF)	1.53	1.23
Annual management charge	1.50	1.20
Yield	1.76	1.77

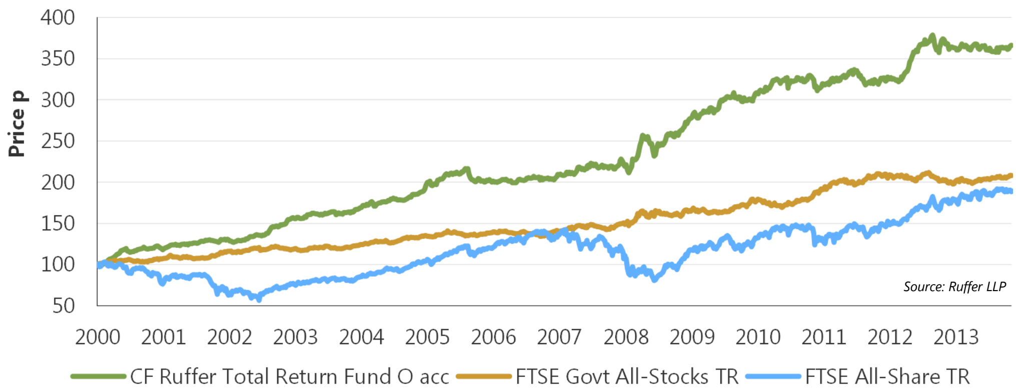
Investment adviser	Ruffer LLP
ACD	Capita Financial Managers Limited
Depositary	BNY Mellon Trust & Depositary (UK) Limited
Auditors	Grant Thornton UK LLP
Structure	Sub-fund of CF Ruffer Investment Funds (OEIC) UK domiciled UCITS Eligible for ISAs

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.

Investment objective

The fund aims to achieve low volatility, positive returns from an actively managed portfolio of different asset classes, including equities, bonds and currencies. Capital invested is at risk and there is no guarantee that a positive return will be delivered over any one or a number of twelve-month periods. The fund may also invest in collective investment schemes, cash, money market instruments, other transferable securities and derivatives and forward transactions. Pervading this objective is a fundamental philosophy of capital preservation.

Performance since launch on 29 September 2000



Monthly review

During July the fund price rose by 0.8%. This compared with a fall of 0.3% in the FTSE All-Share Index and a gain of 1.0% in the FTSE All-Stocks Index (both figures total returns in sterling). Currency exposure at the end of the month was around 60% in sterling, 23% in the US dollar and 7% in the yen.

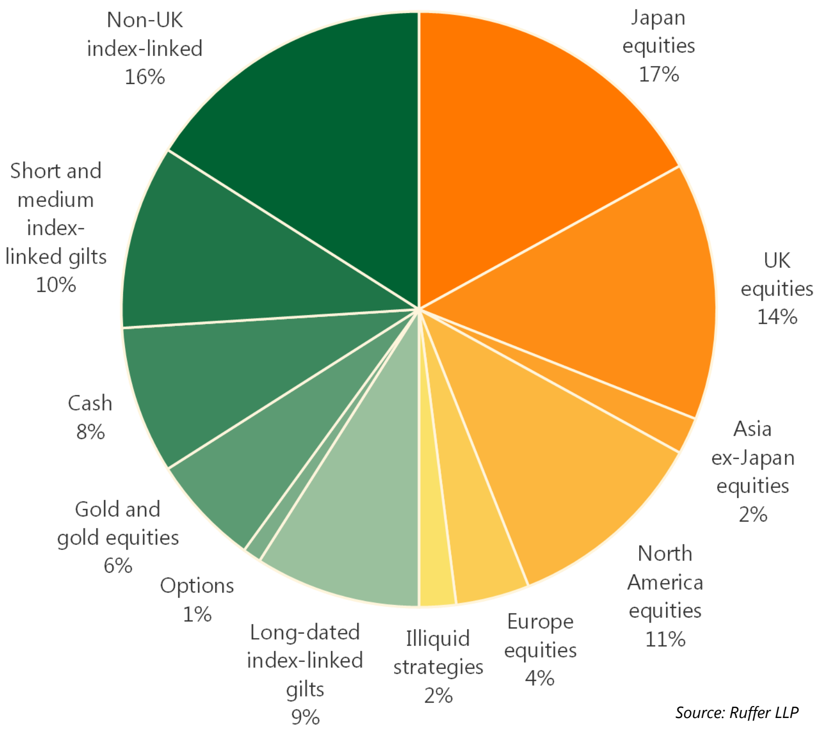
The second half of the year has started with the fund recording a small gain and returning to approximately breakeven for the calendar year. As any seasoned investor with Ruffer will be only too aware, there are times when our style of absolute return investing delivers all the forward progress of a tractor on the motorway. We might argue that a lack of excitement in investment is generally a good thing, but even we would concede that you can have too much of a good thing. In a period when stock markets were making slow but steady forward progress (the UK stock market has gained all of 1% year to date) and volatility was falling to record post crisis lows, our portfolio has suffered from the cost of protection assets (US dollar and options) that have not been needed and the lack of any progress from our largest equity position, namely Japan.

Our sense is that these headwinds could be starting to ease. The US dollar has ceased tumbling against sterling as markets start to realise that the UK is not the only country where interest rates might soon start to crawl off the floor, a realisation that was boosted during the month as US GDP rose at a rate of 4% in the second quarter, more than reversing the 'polar vortex' impacted fall in Q1. Additionally, our predilection for holding on to investments in fear, even when there appear to be few clouds in the sky, may now appear less eccentric as the world faces up to a potential major breakdown in the relationship between the west and Russia following the tragic shooting down of Malaysian Airlines flight MH17. At the same time, the broad Japanese stock market has started to claw back some of the losses that knocked our performance earlier this year, boosted by continued strong profits' growth and record levels of share buy backs; in the first half of this year Japanese companies have bought back as many shares as they did in the whole of 2013.

This theme of corporate enthusiasm for purchasing their own stock is of course also clearly visible in the US, where share buybacks in the first quarter rose 59% year on year to just a shade under the record $170 billion seen at the market's previous peak in 2007. Whilst this is supportive of valuations in both markets in the short term, we feel that US share buybacks at these levels may not be such a positive sign. The share purchases are principally being funded by debt, albeit exceptionally cheap debt, and appear to be undertaken instead of investments in capex or employing more workers, in other words at the expense of investments in growth. This reluctance by US corporates to participate in a normal investment cycle is also apparent in the recent wave of bid activity. Corporate America is loading up on cheap debt and making bids for other companies, often only as a clever wheeze to move to a lower tax jurisdiction. Our suspicion is that these are symptoms of an underlying lack of confidence in future growth prospects. Debt is cheap so companies want to indulge themselves. Indeed, non-financial debt in the developed economies is now 20% higher than in 2007, but it may be cheap because growth will disappoint in future, so managements only want to invest in cutting share counts or tax bills.

Meanwhile, in the eurozone, inflation keeps falling and so do government bond yields, hitting multi-century lows in Spain (2.47%), Germany (1.12%) and France (1.51%). This has been great news for our investments in German property, where we took some profits this month on the back of 20% gains this year, but bodes less well for the outlook for growth in these economies and their hopes of one day reducing their debt burdens. Not surprisingly, activity in July was principally focused on taking some profits from equities and adding a little to our gold bullion.

Portfolio structure of CF Ruffer Total Return Fund as at 31 Jul 2014



Source: Ruffer LLP

Five largest equity holdings as at 31 Jul 2014

Stock	% of fund
Gold Bullion Securities	3.0
Sumitomo Mitsui Financial	2.1
Mitsubishi UFJ Financial	2.0
BP	2.0
Microsoft	1.8

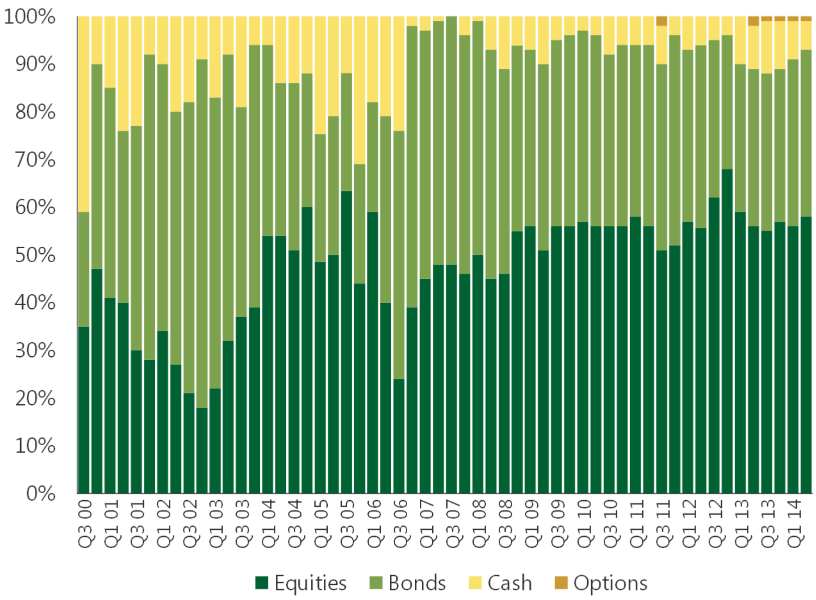
Source: Ruffer LLP

Five largest bond holdings as at 31 Jul 2014

Stock	% of fund
US TIPS 0.125% 2016	4.2
UK Treasury index-linked 1.875% 2022	4.0
US TIPS 0.125% 2022	3.9
UK Treasury index-linked 0.5% 2050	3.6
UK Treasury index-linked 1.25% 2017	3.5

Source: Ruffer LLP

Asset allocation



Fund information

Fund size	£2,864.6m (31 Jul 2014)
No. of holdings	105 equities, 14 bonds (31 Jul 2014)
Minimum investment	£1,000
Ex dividend dates	15 March, 15 September
Pay dates	15 May, 15 November
Charges	Initial charge 5.0% Annual management charge O class 1.5%, C class 1.2%
Dealing	Weekly forward to 10am Wednesday, based on NAV Plus forward from 10am on last Wednesday of the month to last business day of the month
Dealing line	0845 601 9610
ISIN	O class GB0009684100 (acc) GB0009684878 (inc) C class GB00B80L7V87 (acc) GB00B58BQH88 (inc)
SEDOL	O class 0968410 (acc) 0968487 (inc) C class B80L7V8 (acc) B58BQH8 (inc)

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STEVE RUSSELL
Investment Director
Started as a research analyst at SLC Asset Management in 1987, where he became Head of Equities in charge of £5bn of equity funds. In 1999 moved to HSBC Investment Bank as Head of UK and European Equity Strategy, before joining Ruffer in September 2003. Became a non -executive director of JPMorgan European Investment Trust in 2005 and is co-manager of the CF Ruffer Total Return Fund.

DAVID BALLANCE
Investment Director
Previously International Equities Head at Rothschild Private Management, prior to which he was European Equities Head at Rothschild Asset Management. Graduated from Oxford and worked for Allied Dunbar Asset Management as Senior Investment Manager before moving to Threadneedle Investment Managers Ltd as Head of European Equities. Joined Ruffer in 2006 and is co-manager of the CF Ruffer Total Return Fund.

Ruffer

The Ruffer Group manages investments on a discretionary basis for private clients, trusts, charities and pension funds. As at 31 July 14, assets managed by the group exceeded £16.8bn, of which over £7.8bn was managed in open-ended Ruffer funds.