



Are we there yet?



JANUARY 2023

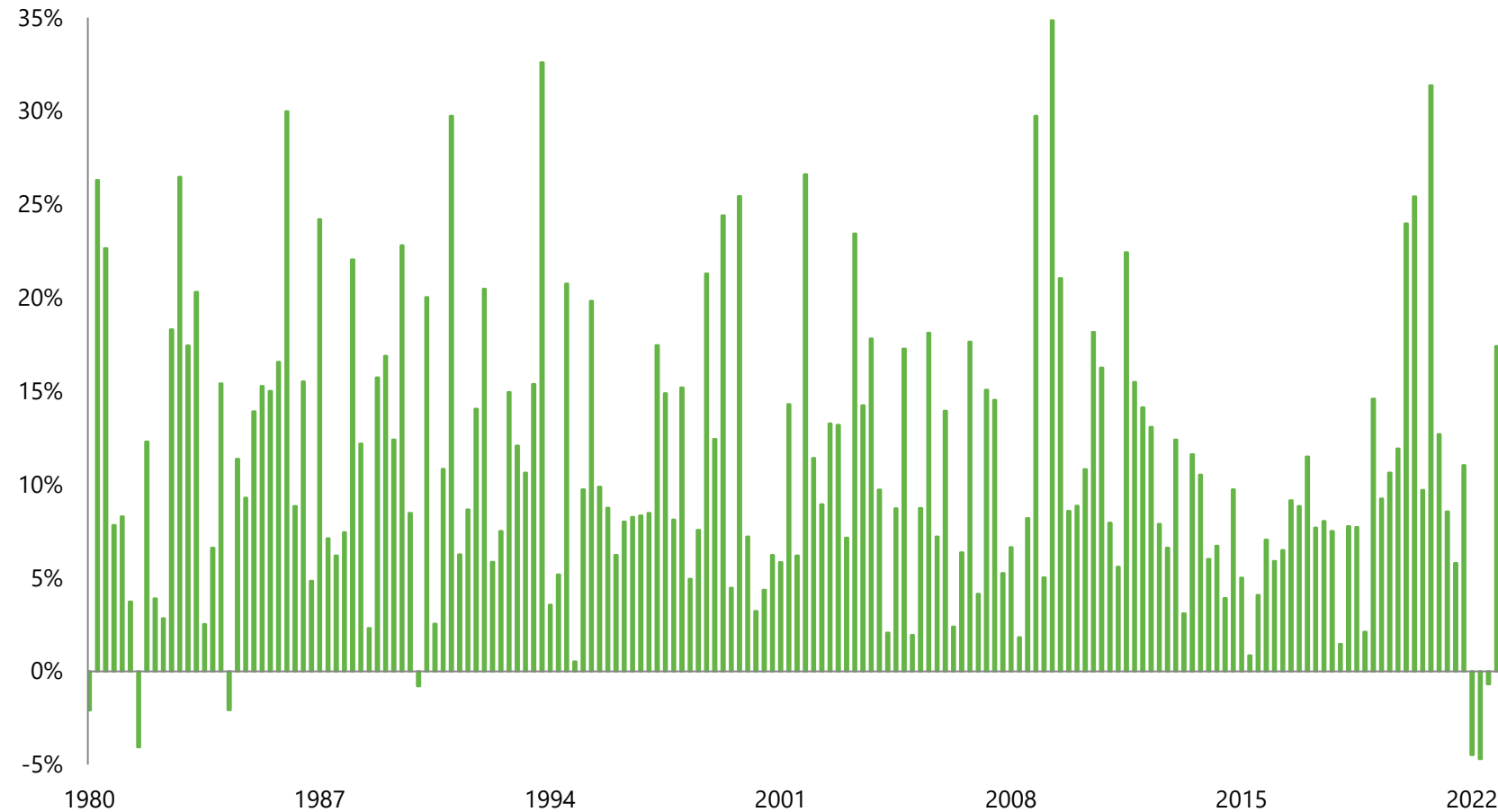
Alex Lennard  
Investment Director

Duncan MacInnes  
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# Nowhere to hide?

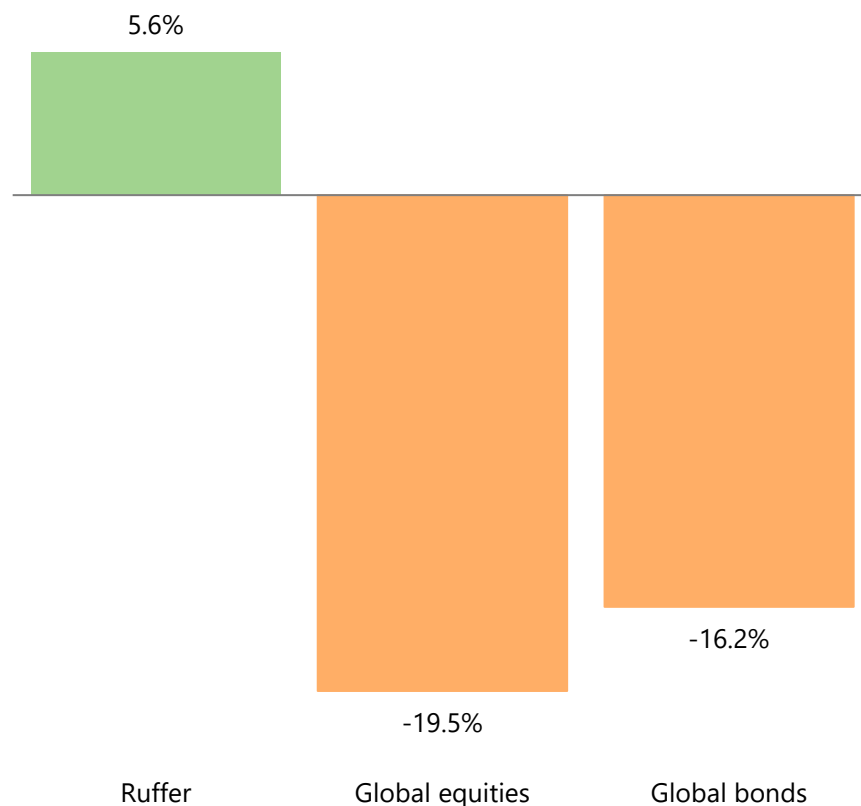
## THE BEST QUARTERLY RETURN ACROSS ASSET CLASSES



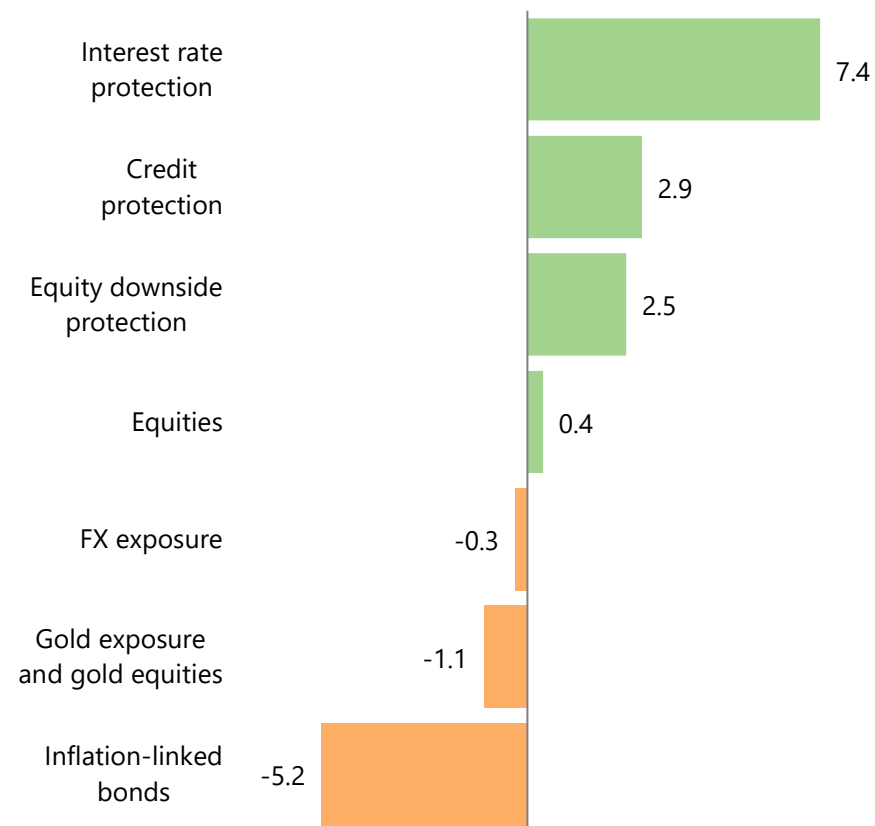
Q4 2022 total return	%
MSCI EAFE \$	17.4
30y Treasury	15.0
10y Treasury	9.9
MSCI EM \$	9.8
MSCI World \$	7.6
SP500 Composite	7.6
Bloomberg EM Bond \$	6.6
Russell 2000	6.2
Bloomberg Global Aggregate	4.5
ICE BofA US High Yield	4.0
Bloomberg US Aggregate	1.9

# Genuine diversification in periods of stress

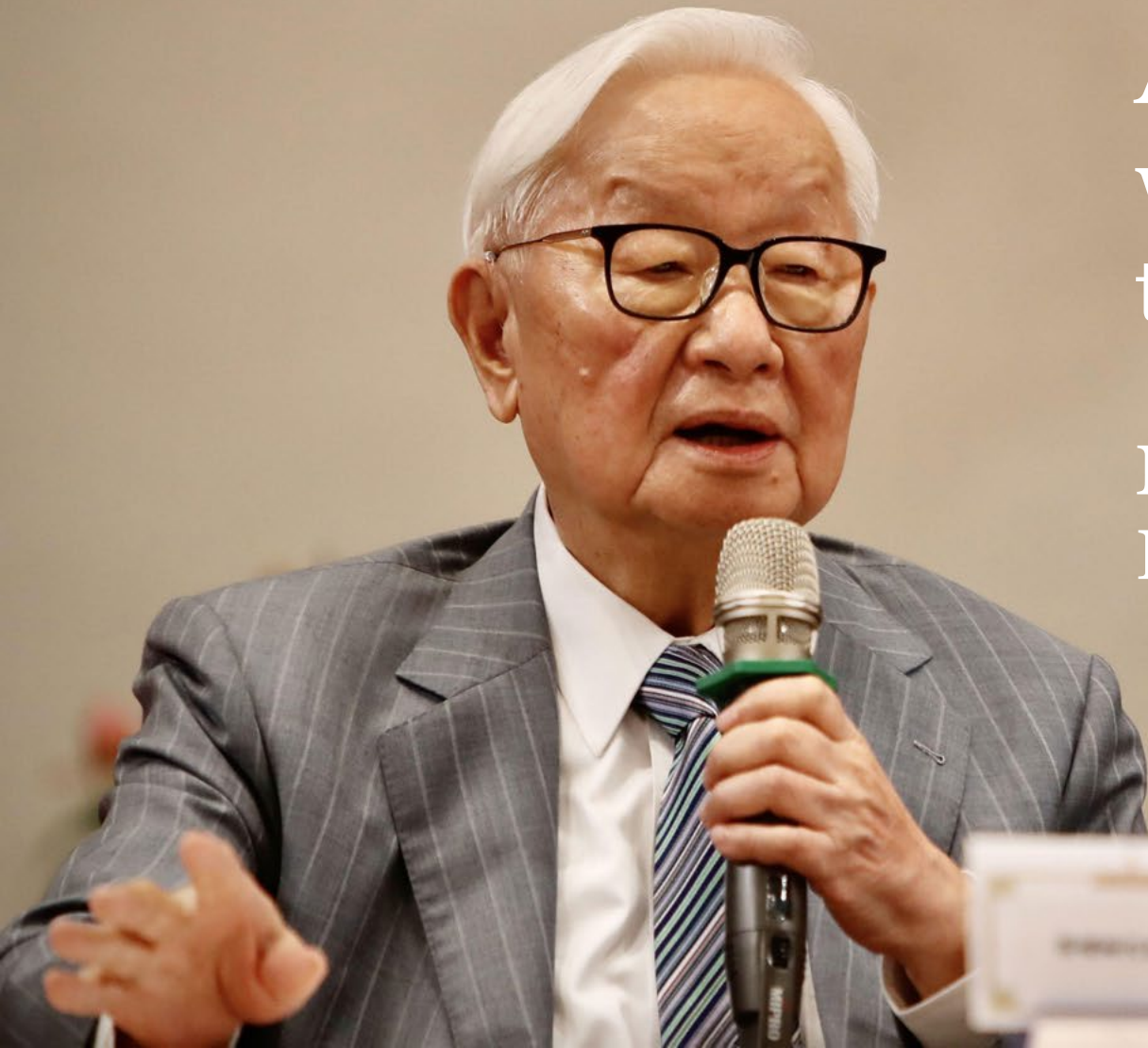
## 2022 PERFORMANCE



## DRIVERS OF PERFORMANCE



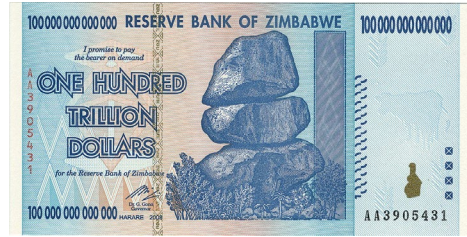
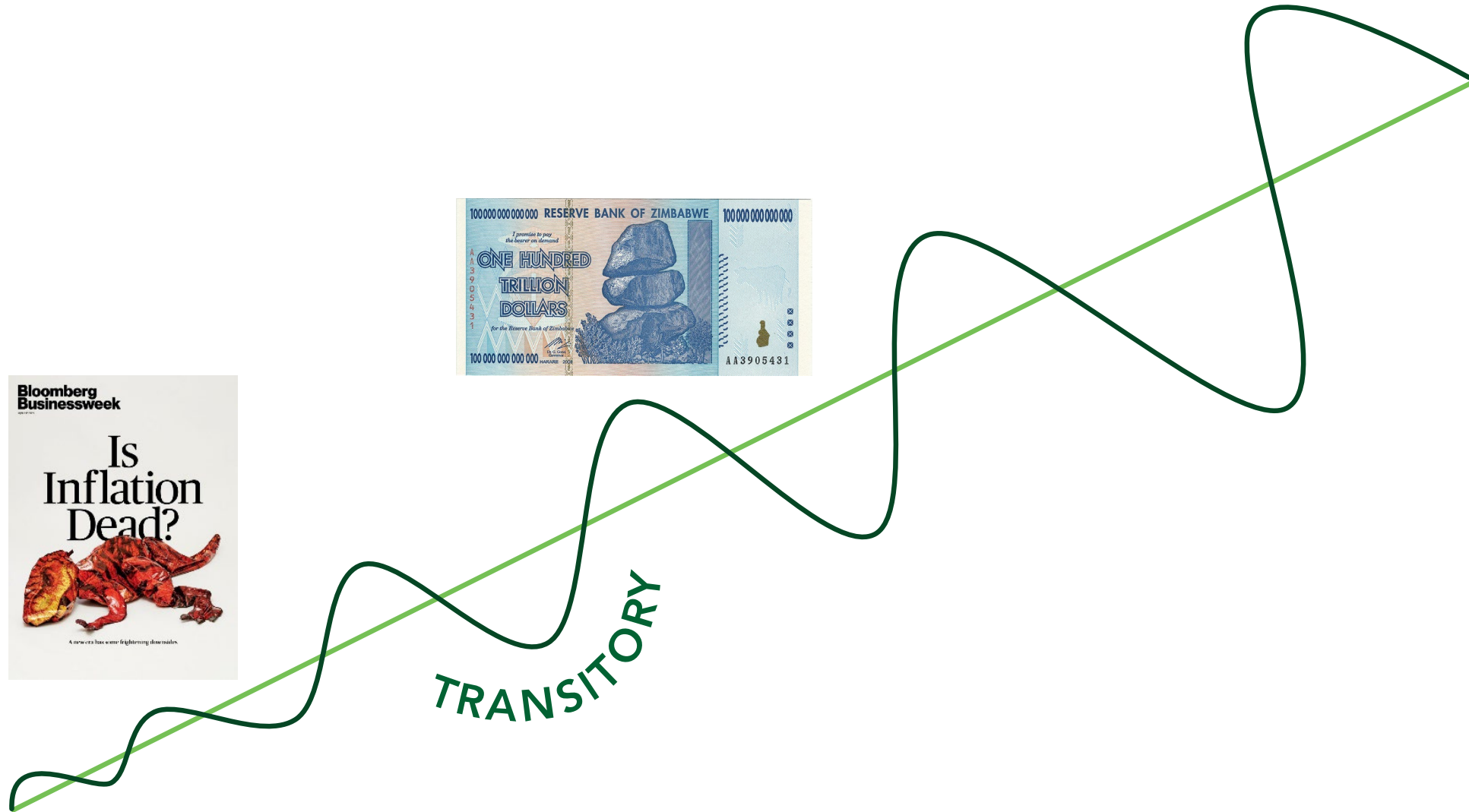
All mentions of Ruffer performance refer to Ruffer's representative portfolio, which shows the performance of an unconstrained, segregated portfolio of £1 million set up in 1995, and follows Ruffer's investment approach. Global equities represented by FTSE All-World Index Total Return. Global bonds represented by FTSE World Government Bond Index Total Return (FactSet). Performance to 31 December 2022. Attributions gross of fees. Data to 31 December 2022.



“ Globalisation is almost dead and free trade is almost dead. A lot of people wish they would come back, but I don’t think they will be back. ”

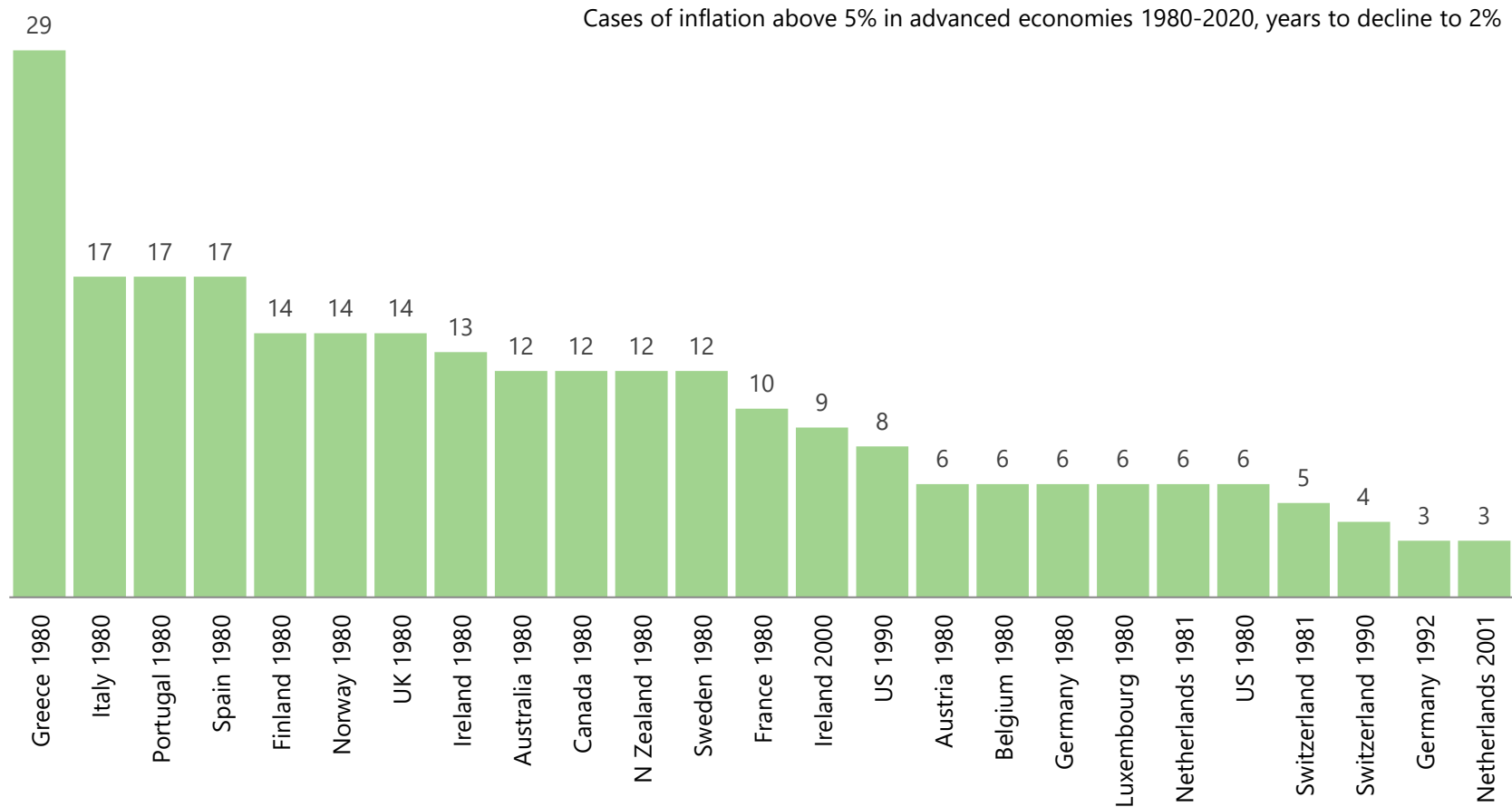
Morris Chang  
Founder, TSMC

# Inflationary journey will not be a straight line



# Inflation is a sticky business

ONCE INFLATION IS ABOVE 5% IT TAKES ON AVERAGE A DECADE TO DROP BACK TO 2%

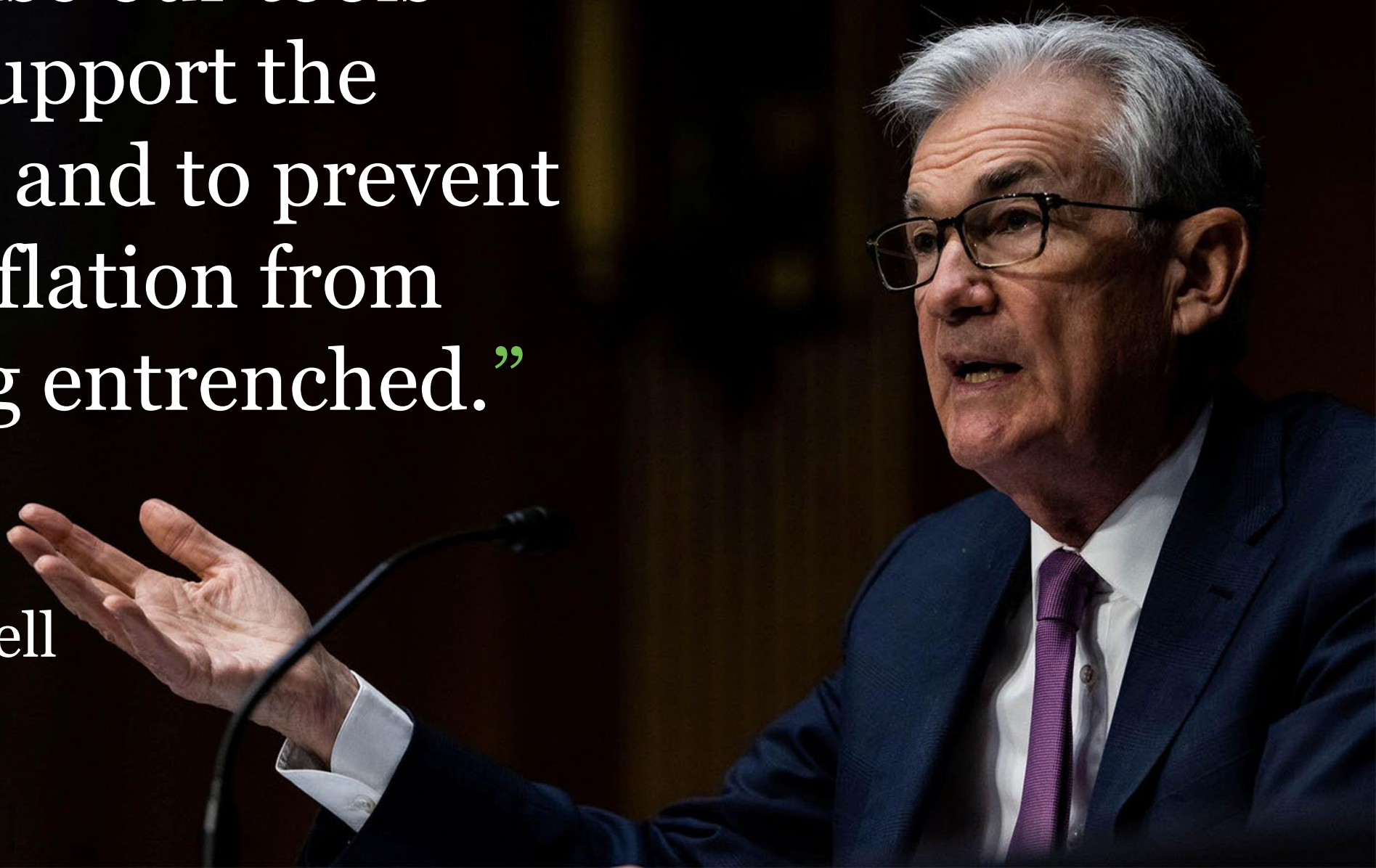


# ACT ONE

## The policy shock

“ We will use our tools both to support the economy and to prevent higher inflation from becoming entrenched.”

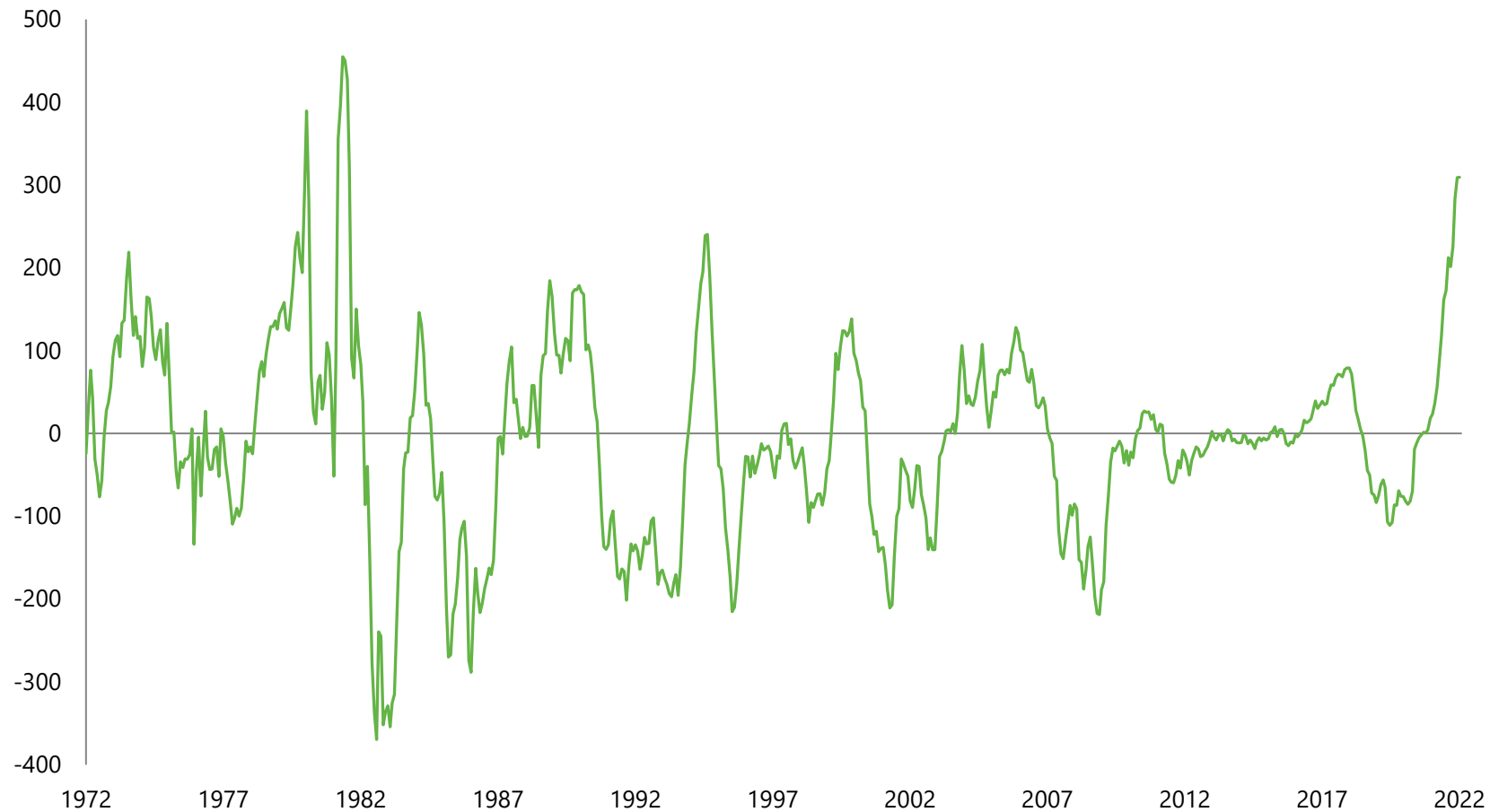
Jerome Powell  
26 January





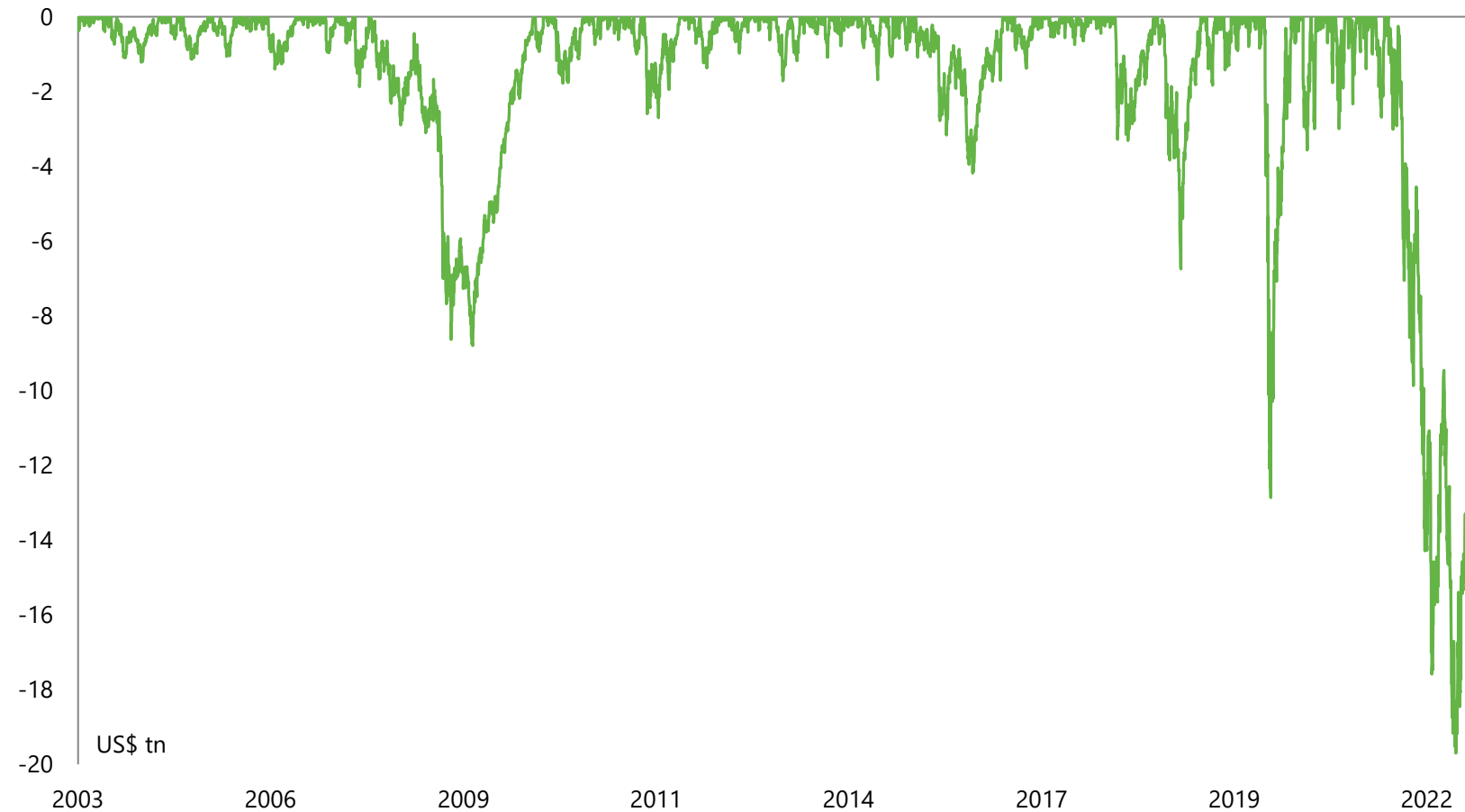
# Leading to an historic tightening cycle

CHANGE IN MONETARY STANCE ACROSS DEVELOPED MARKETS, LAST 12M, BPS



# Leading to huge wealth destruction

DRAWDOWN IN TOTAL MARKET CAPITALISATION OF US EQUITY AND FIXED INCOME, US\$ TN



# ACT TWO

The hope

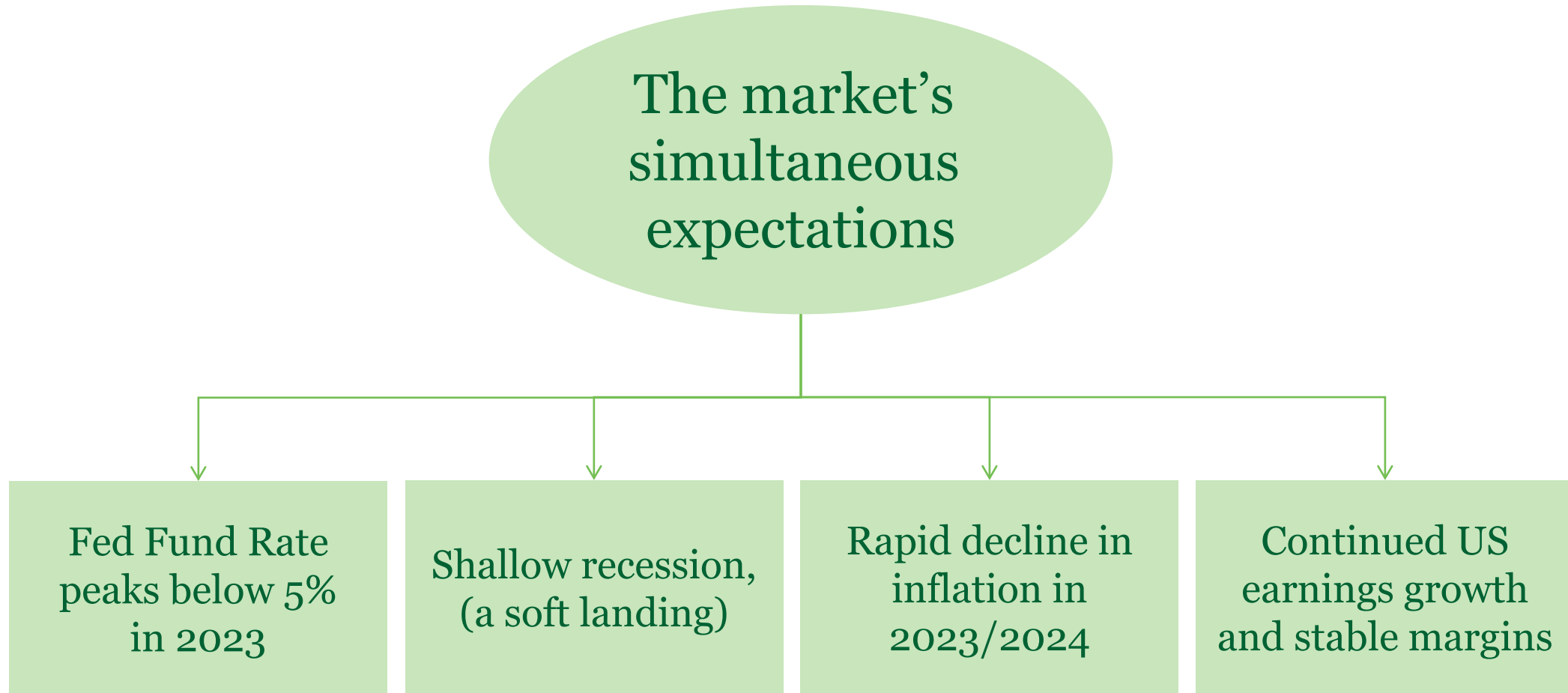
“The time for moderating the pace of rate increases may come as soon as the December meeting.”

Jerome Powell  
November 2022



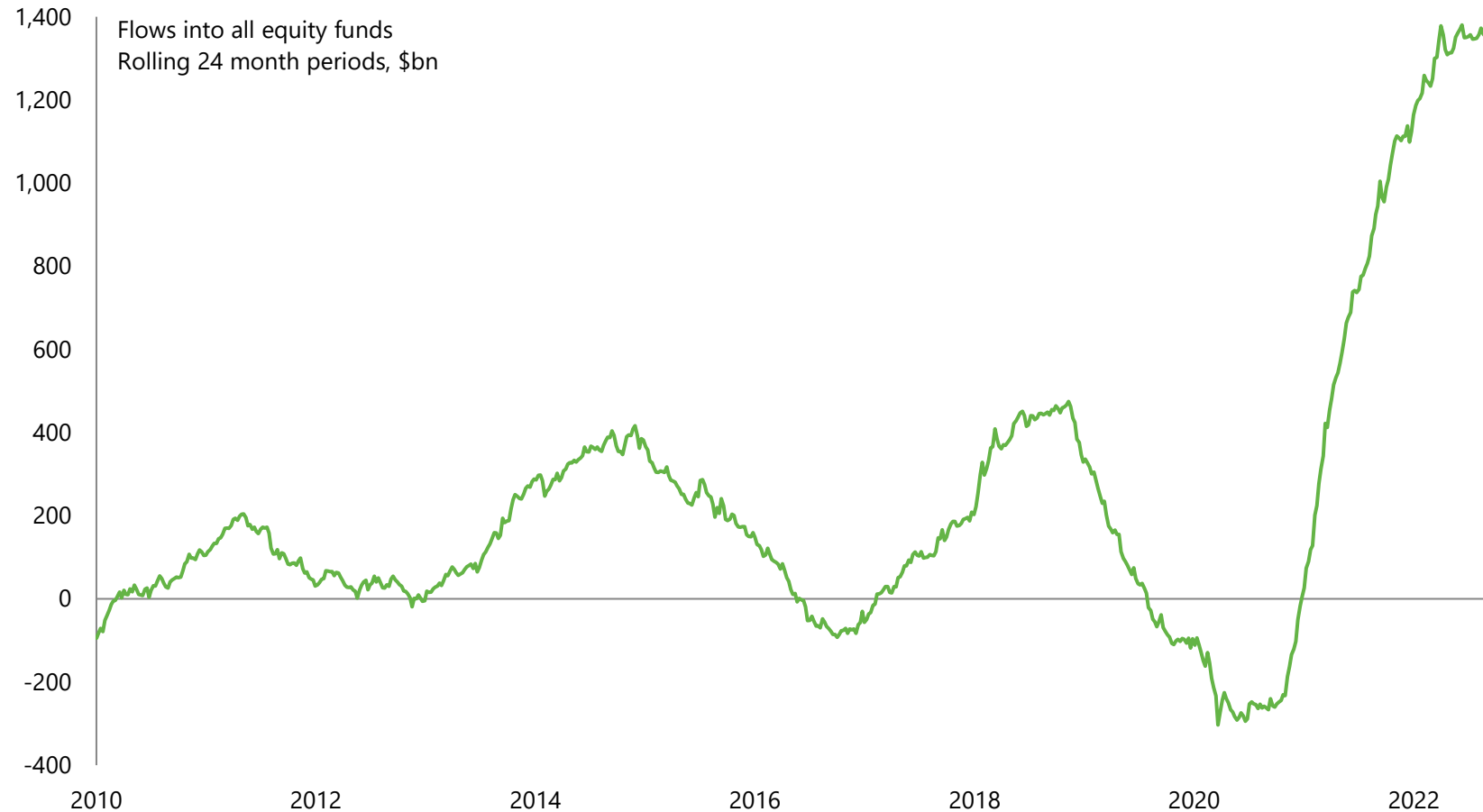
# Walking the tightrope

THE MARKET BELIEVES IN SEVERAL OUTCOMES SIMULTANEOUSLY – CAN THEY ALL BE RIGHT?



# Flows are still to go....

ANOMALOUSLY FOR A BEAR MARKET EQUITY FLOWS REMAIN STRONGLY POSITIVE



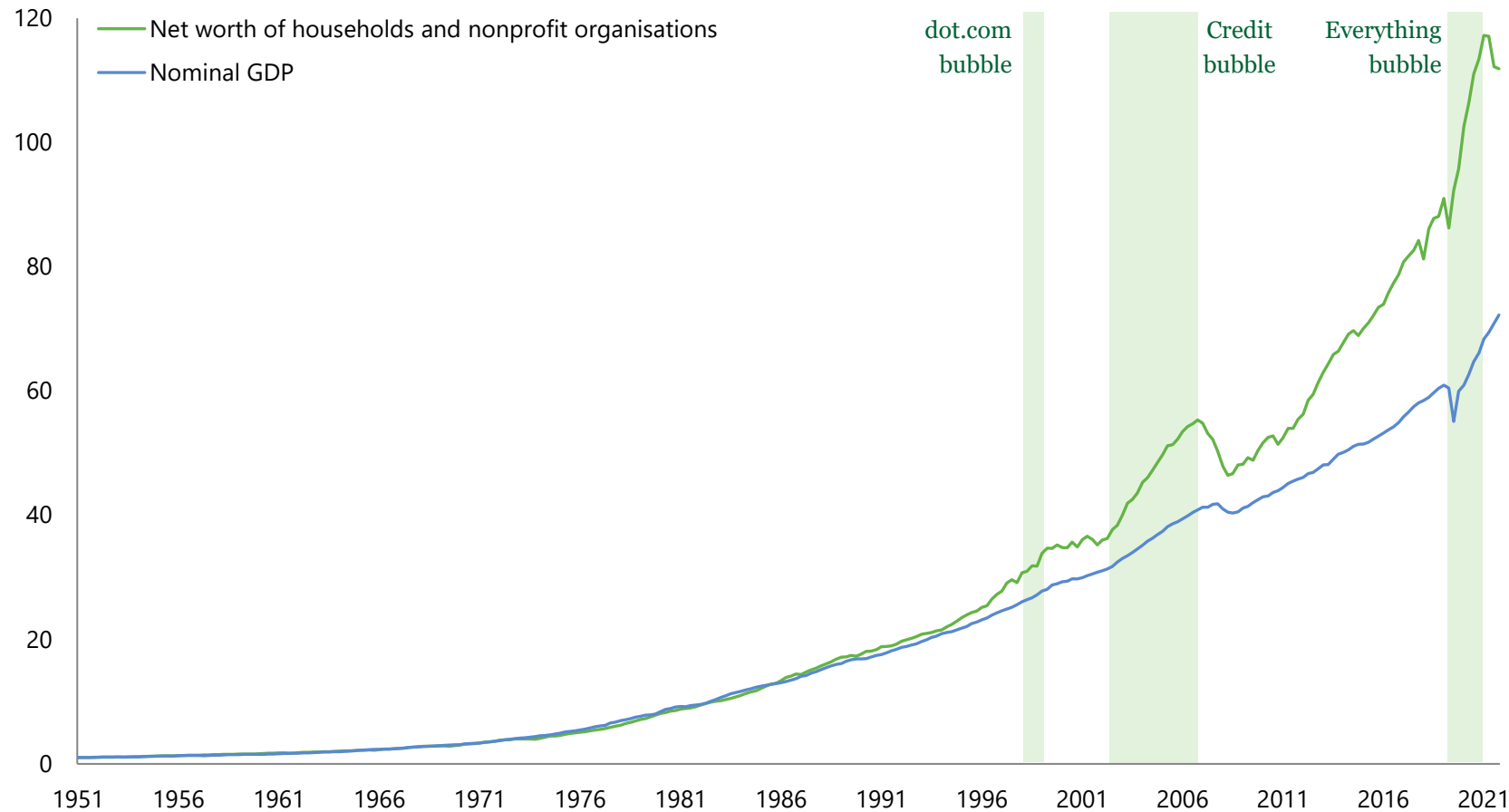
# The market believes central banks will get it right

FIVE YEAR, FIVE YEAR FORWARD INFLATION EXPECTATION RATE



# The Everything Bubble is bursting

US HOUSEHOLD NET WORTH VERSUS US GDP – WHAT YOU OWN VERSUS WHAT YOU MAKE?



Source: US Bureau of Economic Analysis, Federal Reserve, FRED database, nominal USD. October 1951 rebased at 1, data to July 2022

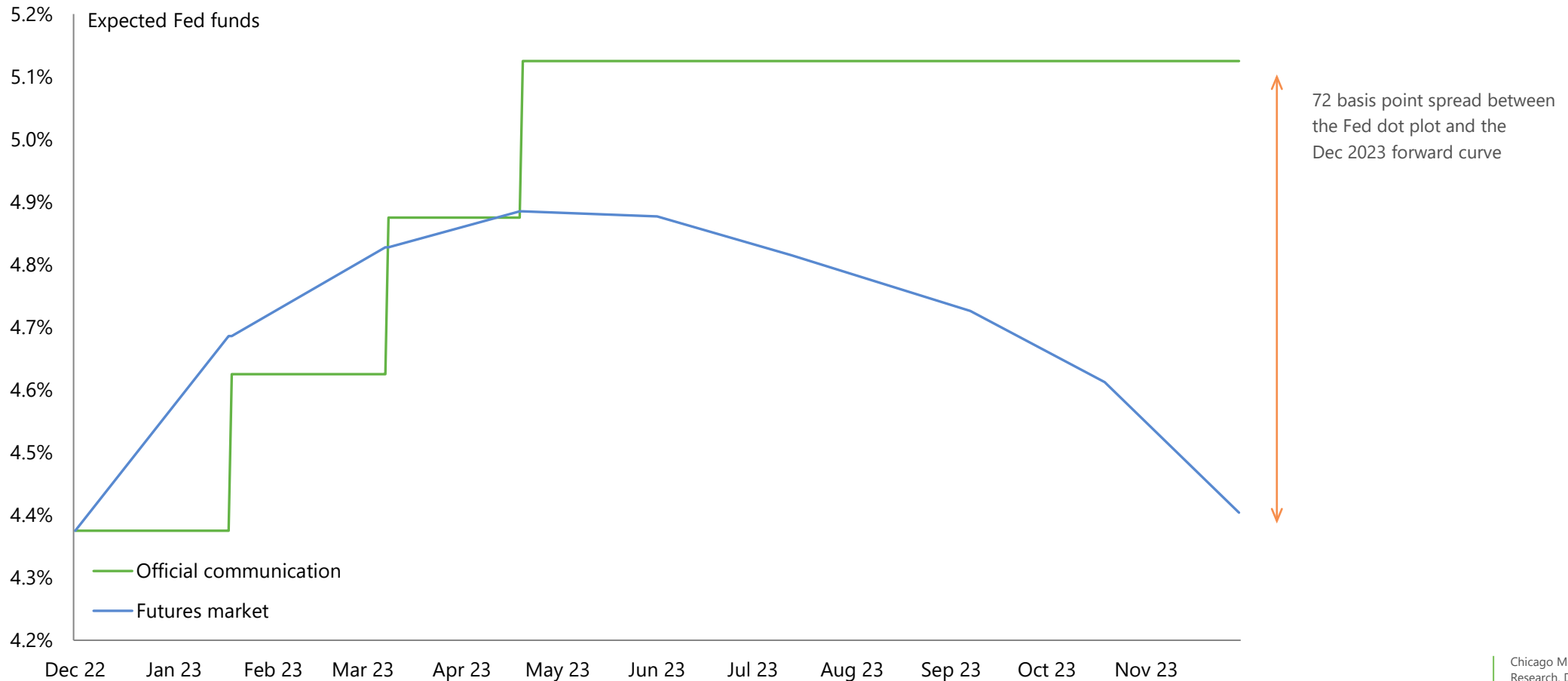


# ACT THREE

The recession?

# Will the Fed ‘stay the course’?

MARKETS ARE PRICING IN A MAJOR PIVOT IN 2023



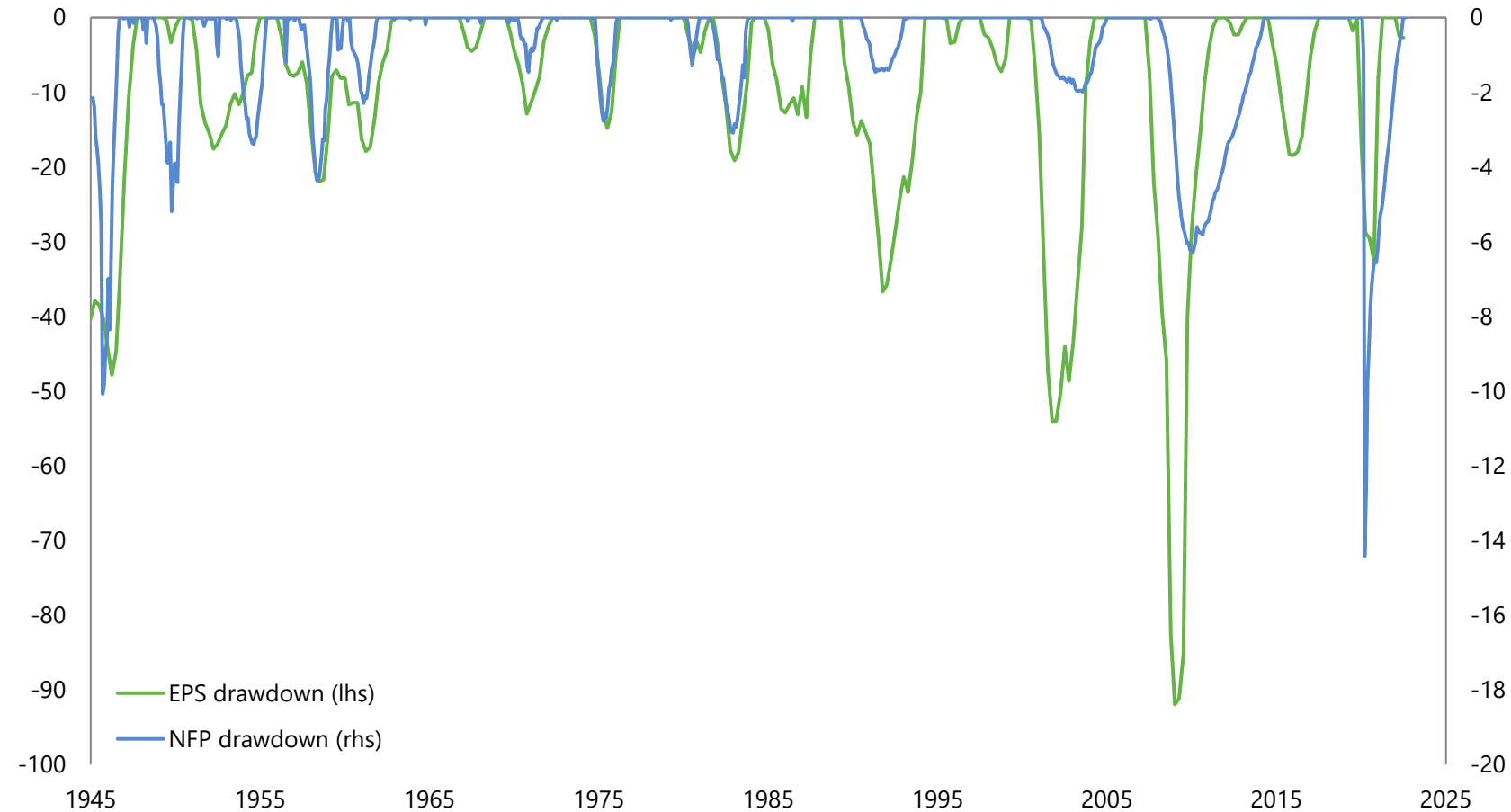
# Why the Fed won't (can't) pivot

## RATIO OF US UNEMPLOYED ADULTS TO JOB VACANCIES



# Corporate earnings always fall when payrolls fall

## NON-FARM PAYROLLS AND S&P EPS DRAWDOWNS FROM PEAK

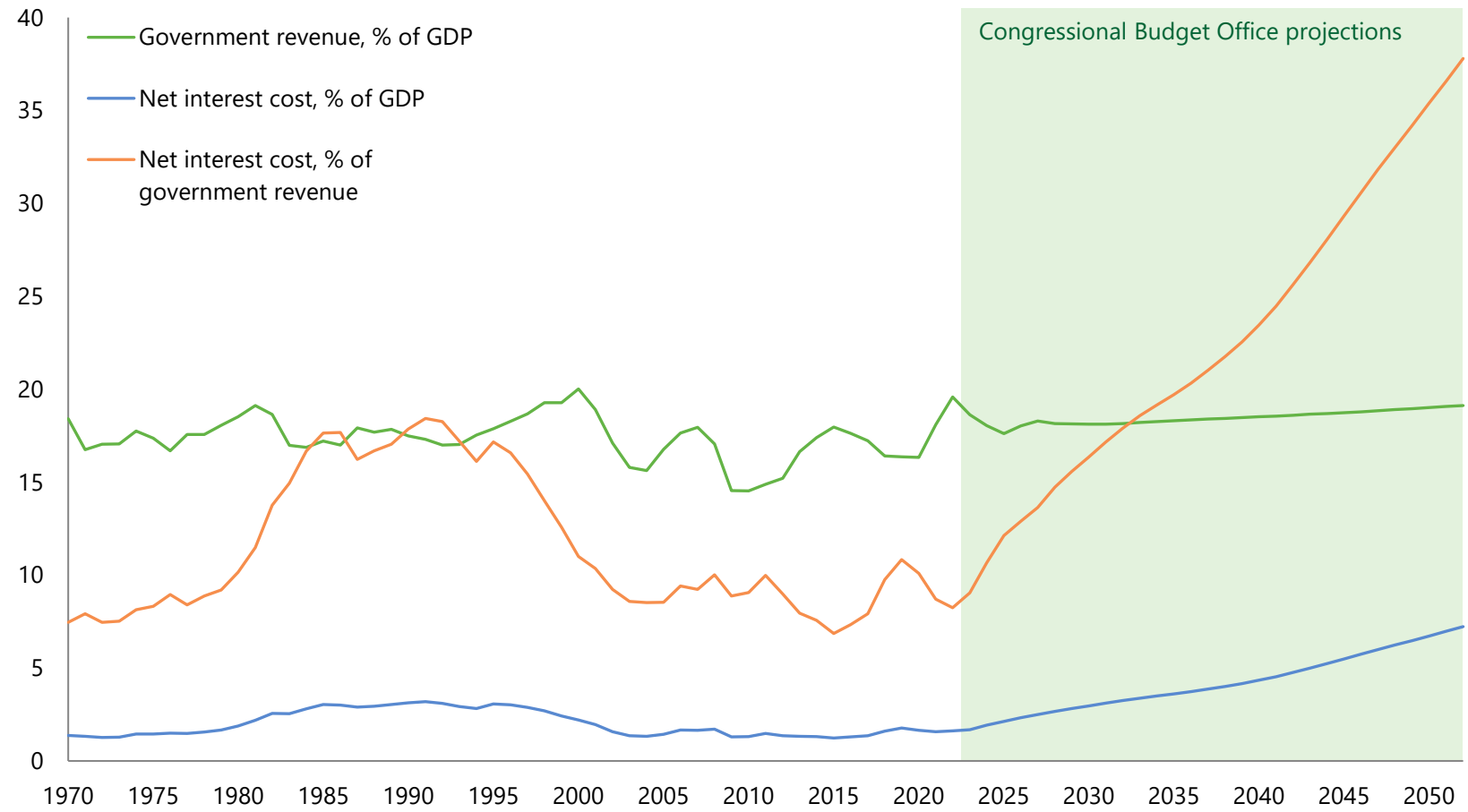




**INFLATION  
REDUCTION ACT  
2022**

# Government finances under pressure

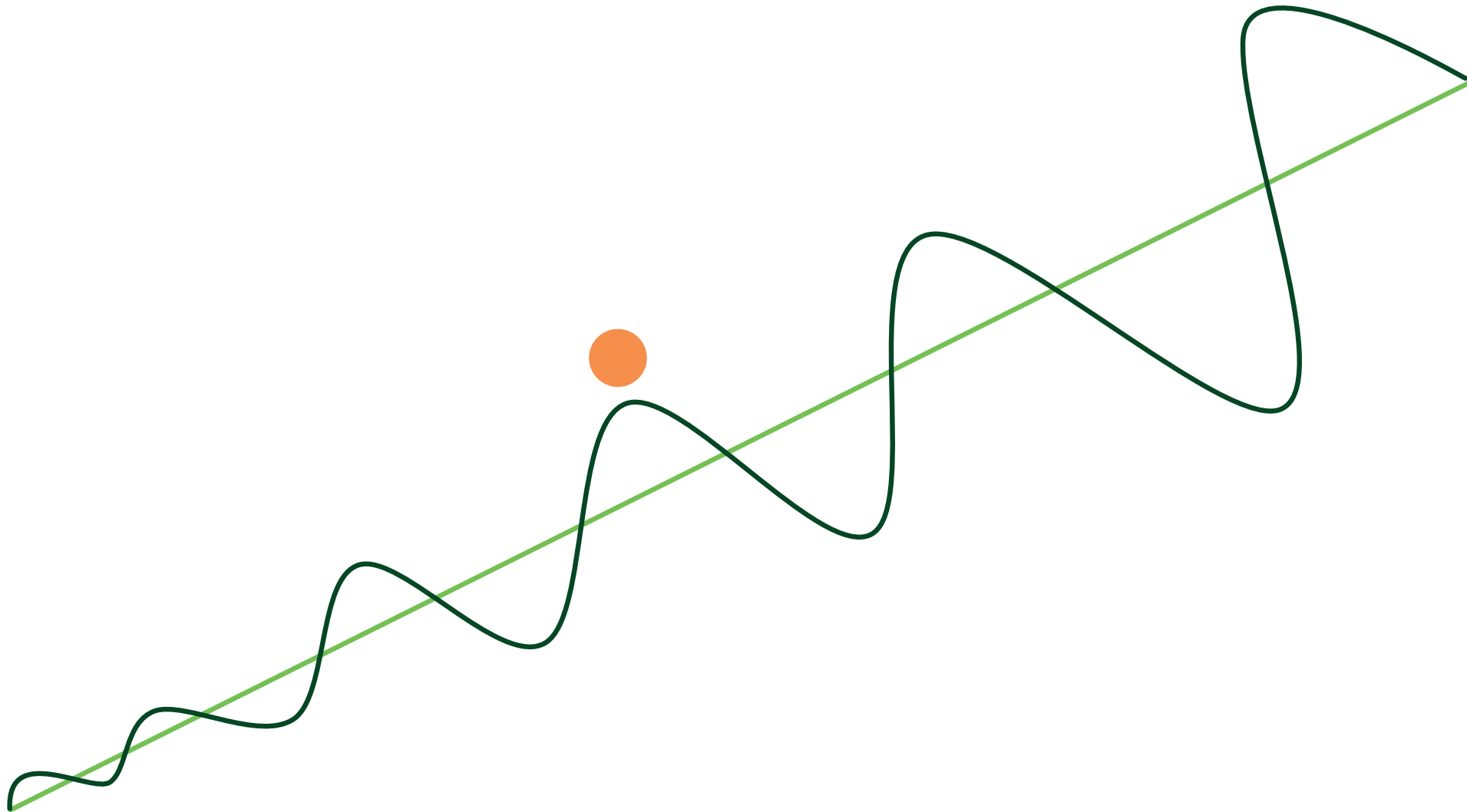
BY 2050, OVER ONE THIRD OF TAX DOLLARS WILL BE USED TO SERVICE THE DEBT PILE



“ Significant changes to tax and spending policy... required to put debt on a sustainable path ”

Congressional Budget Office

# What if we jump?

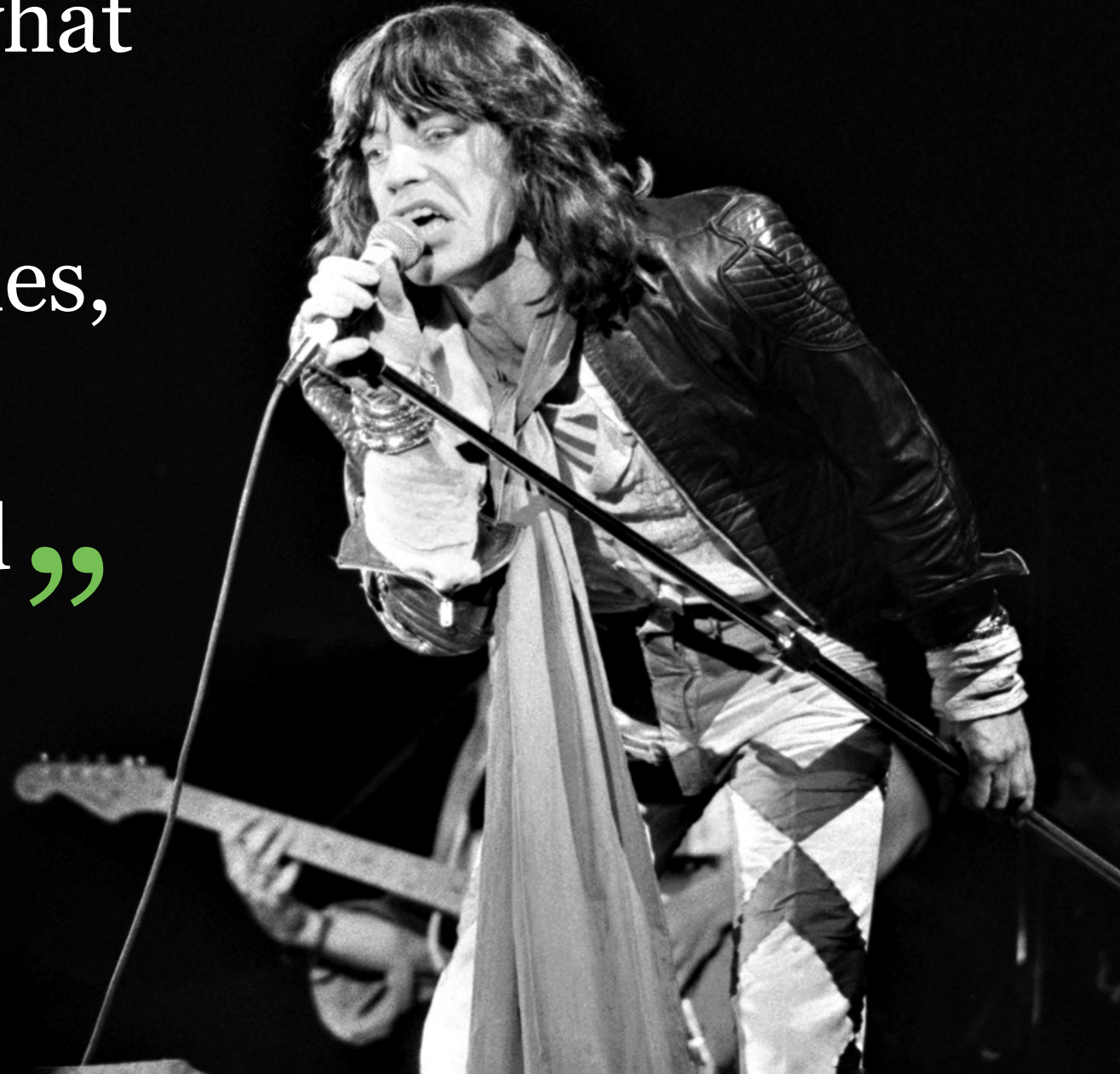


“ You can't always get what  
you want

But if you try sometimes,  
well, you might find

You get what you need ”

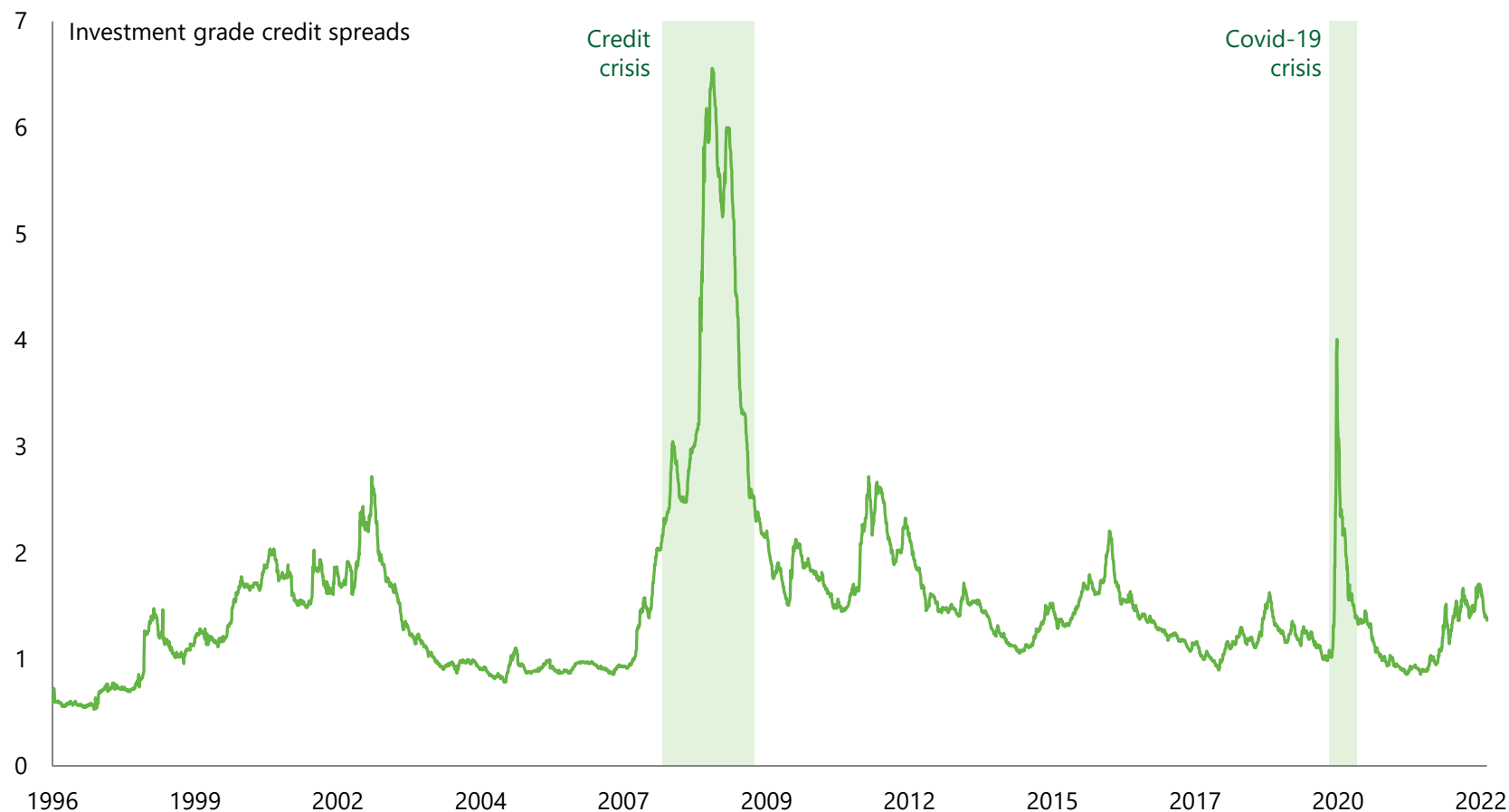
Jagger/Richards, 1969





# Sourcing protection from illiquid markets

INVESTMENT GRADE CREDIT SPREADS COULD OFFER POTENT PROTECTION IN A LIQUIDATION EVENT



Be active

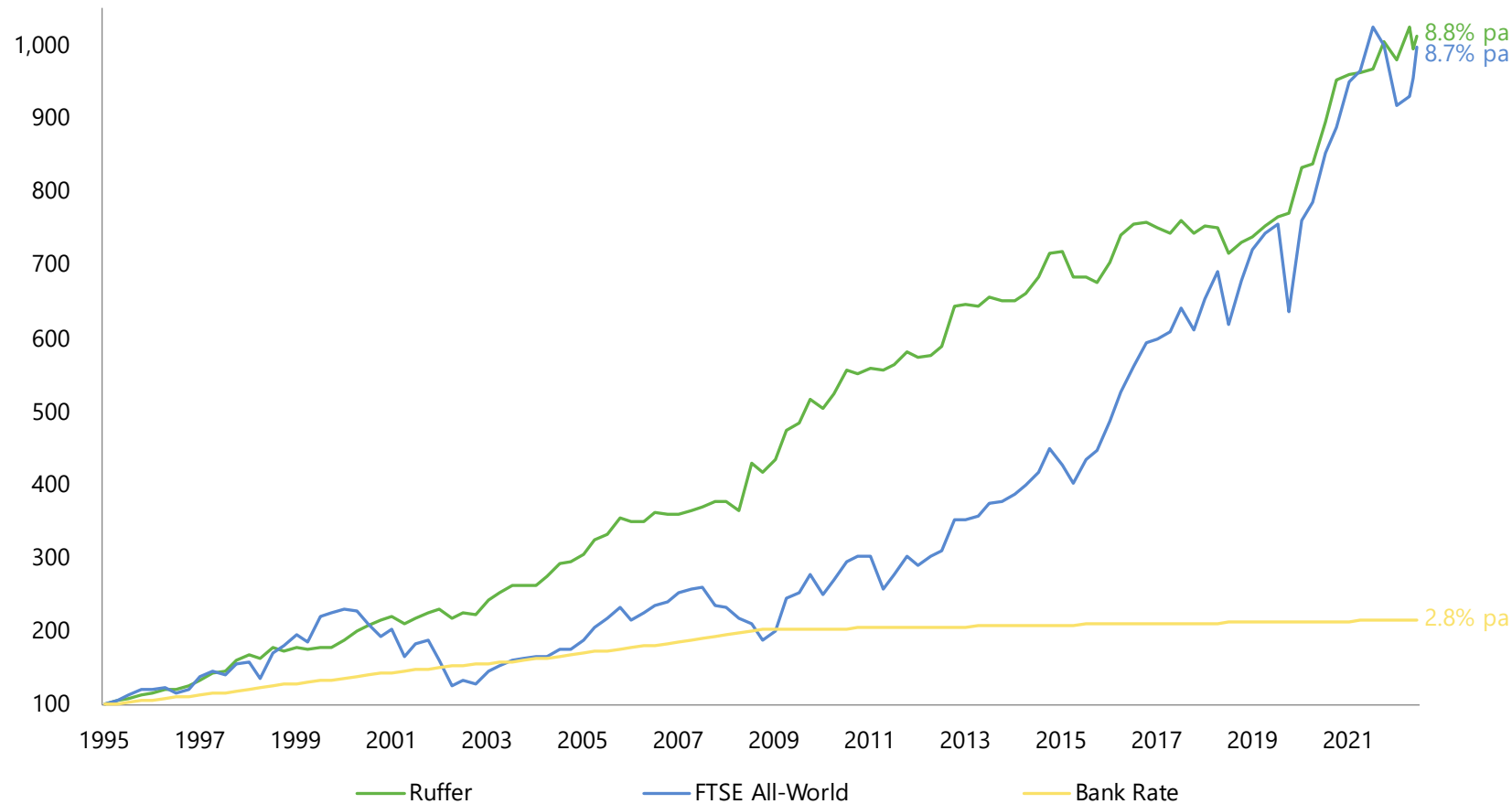
Pay for convexity

Use cash

Resilience over optimisation

# Long-term performance

## RUFFER VERSUS BANK RATE AND FTSE ALL-WORLD INDEX 1995–2022



Source: Ruffer, FTSE International, Bloomberg. Cumulative performance 30 June 1995 to 30 November 2022, in pounds sterling. Performance data is included in the appendix. All figures include reinvested income. All mentions of Ruffer performance refer to Ruffer's representative portfolio, which is an unconstrained segregated portfolio following Ruffer's investment approach. Ruffer performance is shown after deduction of all fees and management charges. Calendar quarter data has been used up to the latest quarter end and monthly data thereafter. Performance prior to 1 July 2022 has been calculated using monthly data points, and thereafter using daily data points. More information: [ruffer.co.uk/methodology](http://ruffer.co.uk/methodology)

# Regulatory performance data

## PERCENTAGE GROWTH

To 30 Sep %	96	97	98	99	00	01	02	03	04	05	06	07	08	09	10	11	12	13	14	15	16	17	18	19	20	21	22
Ruffer	15.4	17.8	13.9	8.9	13.6	4.6	4.0	16.2	8.5	18.2	7.6	4.8	-0.3	30.1	10.5	6.1	3.8	11.5	2.8	3.2	8.4	0.3	1.0	0.4	11.1	14.8	6.6
FTSE All-World	15.0	20.0	-6.9	36.1	22.1	-27.5	-22.9	20.1	8.6	24.1	9.6	14.5	-15.7	12.9	10.6	-4.8	17.3	18.2	11.8	0.6	31.3	15.5	13.4	7.8	5.7	22.7	-3.6
FTSE World Bond																							1.3	14.4	1.8	-7.3	-6.0
Bank Rate	6.3	6.3	7.4	5.9	5.9	5.7	4.2	3.9	4.1	4.8	4.6	5.3	5.4	1.7	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.3	0.5	0.8	0.4	0.1	0.7

Source: Ruffer, FTSE International, Bloomberg. 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 reliable indicator of 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. Calendar quarter data has been used up to the latest quarter end. Ruffer LLP is authorised and regulated by the Financial Conduct Authority. This document, and any statements accompanying it, are for information only and are not intended to be legally binding. Unless otherwise agreed in writing, our investment management agreement, in the form entered into, constitutes the entire agreement between Ruffer and its clients, and supersedes all previous assurances, warranties and representations, whether written or oral, relating to the services which Ruffer provides. All mentions of Ruffer performance refer to Ruffer's representative portfolio, which shows the performance of an unconstrained, segregated portfolio of £1 million set up in 1995, and follows Ruffer's investment approach. Performance prior to 1 July 2022 has been calculated using monthly data points, and thereafter using daily data points. More information: [ruffer.co.uk/methodology](http://ruffer.co.uk/methodology)

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