

Ruffer Total Return International – Australia Fund

Positive returns with low volatility

During November, the fund price fell from 1.11 AUD to 1.10 AUD. This compared with a rise of 1.0% in the FTSE All-World index and a rise of 3.0% in the FTSE Govt All Stocks index (all figures total returns in sterling).

In an action-packed November, perhaps the most meaningful moment came on its final afternoon. In his testimony to the Senate Banking Committee, the Chair of the Federal Reserve, Jerome Powell, admitted that inflation will linger and that it was ‘time to retire the word transitory’. This marks the end of the back-and-forth narrative that has dominated the investment debate for the past six months. It also provided a rubber-stamp to a shift that was already underway. Short-dated interest rate markets had already begun to price in an end to limitless central bank accommodation.

This shift is a material change and marks the beginning of a new market dynamic. We have moved from a question of whether inflation is transitory to whether central banks have the willingness and the ability to bring this lingering, sticky inflation back down. If the necessary willingness exists, then we are entering a much more difficult backdrop for markets. The tailwind of gargantuan liquidity injections, which have powered them higher, will now become a headwind.

Alongside liquidity, risk assets have clearly also benefitted from improving economic fundamentals. The Atlanta Fed GDP Nowcast estimates that real GDP for Q4 in the US will be above 8%. Coupled with inflation potentially annualising at 6% for the quarter, this gives US quarterly nominal GDP of close to 14%. These powerful economic fundamentals put pressure on officials to dial down stimulus.

The combination of strong economic fundamentals and a need to tackle inflation will see central banks try to slow price rises through tighter financial conditions. This makes equity and credit markets as vulnerable as they have been since the market falls of March 2020. We have been preparing for this eventuality. At the end of October, we increased our allocation to the credit protection strategies that worked so well in Q1 2020.

On top of this, we added to equity option protection and deliberately pared back the fund’s equity weight to just under 40%. If inflation does not react as central banks hope and they have to go harder with their liquidity withdrawal, we are confident we have the protections in place to withstand the likely equity market tantrum.

The bigger question is perhaps whether inflation will be able to be brought back to target or is the genie well and truly out the bottle. For this eventuality, the longest-dated inflation linked bonds remain primed. We upped our weighting to the longest-dated issues in the UK to 15% and added to the new 2073 index-linked bond. It is noteworthy that these bonds rose just under 10% during the month. The knee-jerk reaction to the omicron variant was disinflationary. We are not so sure. The pandemic experience tells us that the inflationary disruption to supply outweighs the deflationary hit to demand. Mr Powell and his colleagues will be well aware of this.

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.

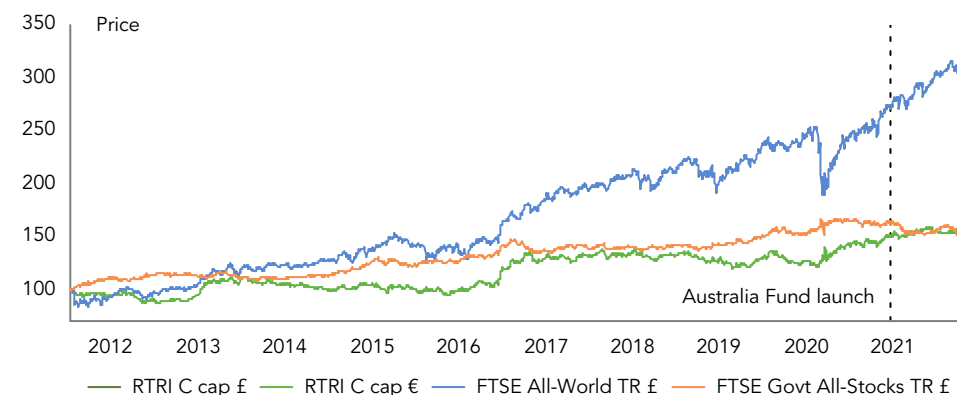


November 2021 Issue 12

Investment objective

The investment objective of Ruffer Total Return International - Australia 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). Overriding this objective is a fundamental philosophy of capital preservation.

Performance since sub-fund launch on 24 December 2020



RTRI C GBP capitalisation shares*	Performance %	As at 30 November 2021	AUD
November 2021	-0.4	Unit price	1.10

Source: Ruffer LLP, RTRI – Australia Fund. Past performance is not an indicator of future performance.

*Current UK regulations require that any information provided on past performance must be based on, and show complete 12 month periods, starting after the first complete calendar quarter. Therefore the performance charts and other relevant performance data will be provided after 31 December 2021. As such, the performance chart is that of the Underlying Fund, Ruffer Total Return International, whereas the unit price laid out above is of Ruffer Total Return International – Australia Fund.

12 month performance to September %	2017	2018	2019	2020	2021
RTRI C cap £	1.1	2.2	0.2	8.7	14.4
RTRI C cap €	0.1	1.1	-1.2	7.8	13.7
FTSE All-World TR £	14.9	12.8	7.2	5.2	22.2
FTSE Govt All-Stocks TR £	-3.6	0.6	13.4	3.4	-6.8

Source: Ruffer LLP, FTSE International. All figures refer to simulated past performance based on the Ruffer Total Return International fund to 31 December 2020 and include reinvested income. Ruffer performance is shown in GBP after deduction of all fees and management charges, and on the basis of income being reinvested. Calendar quarter data has been used up to the latest quarter end and monthly data thereafter.

Ruffer Total Return International – Australia Fund as at 30 Nov 2021

Asset allocation – underlying fund (RTRI)



Asset allocation	%
● Index-linked gilts	16.1
● Long-dated index-linked gilts	14.6
● Non-UK index-linked	8.2
● Short-dated bonds	7.6
● Gold and gold equities	6.3
● Protection strategies	5.7
● Cash	2.1
● UK equities	17.7
● Europe equities	7.4
● Japan equities	6.9
● North America equities	5.4
● Other equities	2.1
● Asia ex-Japan equities	0.1

10 largest equity holdings*

Stock	% of fund
BP	2.7
Royal Dutch Shell	2.3
NatWest Group	2.0
Lloyds Banking Group	1.9
GlaxoSmithKline	1.7
Ambev SA	1.6
iShares Physical Gold	1.4
ORIX Corporation	1.3
Mitsubishi UFJ Financial Group	1.2
Cigna	1.0

5 largest bond holdings

Stock	% of fund
UK Treasury index-linked 1.875% 2022	9.3
US Treasury 0.625% TIPS 2023	6.8
UK Treasury 0.125% 2023	6.0
UK Treasury index-linked 0.125% 2068	5.3
2.5% Treasury index-linked 2024	4.9

*Excludes holdings in pooled funds
Source: Ruffer LLP.
Pie chart totals may not equal 100 due to rounding.

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Fund size **AUD\$62m**

Fund information

	%
Asset class	Multi-Asset
Fund inception date	24 December 2020
Fund base currency	AUD
Fund structure	Managed Investment Scheme
Fund regulator	The Australian Securities and Investments Commission (ASIC)
Distribution	Annual, although not expected. The year end is 30 June

APIR	ISIN	ARSN
PIM1038AU	AU60PIM10382	643 278 693

Bloomberg	PIM1038 AU
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Buy/sell spread	0%
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Minimum initial investment	AUD\$20,000
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Management costs	1.05% per annum of the net asset value of the Fund comprising: Fund level fees and costs of 0.90% Indirect costs of 0.15%
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Dealing Day	Weekly, typically a Thursday*
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Subscription and redemption cut-off	Weekly, typically 2pm Friday*
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Subscription and redemption settlement dates	T+5, typically a Thursday*
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Investment Manager	Ruffer LLP
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Responsible Entity	The Trust Company (RE Services) Limited
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Custodian and Administrator	Mainstream Fund Services Pty Ltd
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Auditors	Ernst & Young
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*The Fund's Dealing Day, subscription and redemption cut-off will be impacted by public holidays in Luxembourg, the UK and/or Australia. A list of the impacted dates is available from ruffer.co.uk/rtri-au

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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 October 2021, assets managed by the Ruffer Group exceeded A\$43.0bn.

Enquiries

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