

Ruffer Total Return International – Australia Fund

Positive returns with low volatility

During September, the fund price rose by 0.3%. This compared with a fall of 1.0% in the FTSE All-Share index and a fall of 3.7% in the FTSE Govt All Stocks index (all figures total returns in sterling).

'Transitory' or not, price rises (aka inflation) are certainly starting to have an impact on both financial markets and everyday life. Amidst pictures of queues at petrol stations reminiscent of the 1970s as well as global concerns over possible shortages and supply chain disruption ahead of the key holiday season, stock and bond markets both lost some of their lustre in September. Bond yields rose as inflation concerns led to talk of tapering and earlier than expected interest rate rises, though this remains just talk for now. Meanwhile equities, especially growth and tech stocks, fell back, with the Nasdaq down 5.3% in the month, dragging down the broader US market by 4.7%.

Although some of the price rises this month were eye-watering, with the oil price up almost 10% (and now +50% so far this year) and natural gas prices in Europe and the UK rising by over 90%, inflation worries were not the only concern for equity markets in September. The likely demise of Chinese property developer Evergrande, said to have over \$330bn of debt and a market value at the month end of only \$7bn, down 80% so far this year, added contagion risks to previous fears of a clampdown by the Chinese government.

Against this somewhat unsettling background, portfolio performance remained robust in September, remaining broadly unchanged even as broader bond and equity markets fell back. Higher bond yields hurt our index-linked bonds during the month, though once again, as happened in Q1 earlier this year, we held interest rate options that offset much of the fall. On the equity side, rising yields were supportive for the banks held in the portfolio and not surprisingly, energy stocks performed strongly with holdings in BP, Equinor and Royal Dutch Shell all up 15-20%.

No doubt investors will be laser-focused on both inflation and the outlook for China. Hint, a clue to the future for both might be gleaned from the Chinese government's edict last week to secure energy supplies 'at all costs'. However, for us the key observation from September is 'balanced' portfolios had their worst month since March 2020, when global markets first felt the full brunt of the covid-19 pandemic. Back then, the 60% equity and 40% conventional bond mix that has been so popular and so successful in recent years fell 5% in a month, this time the US version fell 3.5%. Small beer perhaps after gains averaging 10% for a decade, but a worrying sign nonetheless.

We have long warned higher inflation, or even just inflation volatility, could see a shift in the correlation between equities and bonds. This would merely be a reversion to the normal pattern before the decades of disinflation and falling interest rates since the 1980s. If so, portfolios would no longer be able to rely on rising bond prices (via falling interest rates) to soften the pain of equity market falls. In fact, the opposite could be true with falling bond prices exacerbating future equity market sell-offs. Ruffer portfolios hold inflation-linked bonds and other less conventional protections to guard against exactly such a situation. Last month, at least, this approach worked. We will wait to see if this too was just transitory.

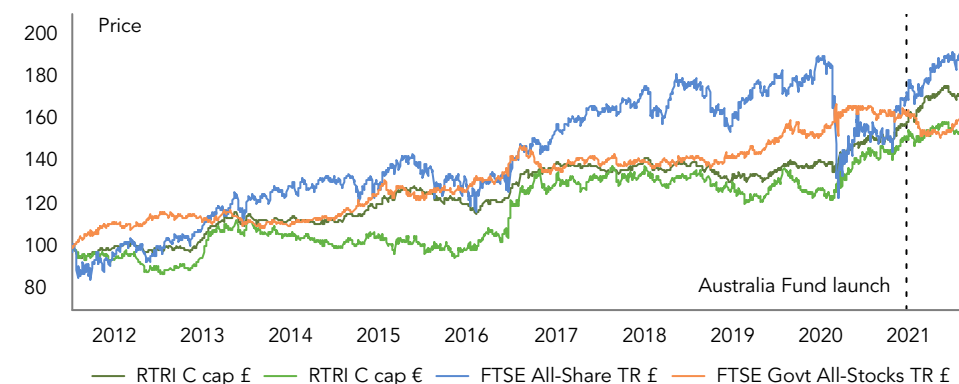
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Investment objective

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



Unit price	Performance %	As at 30 September 2021	AUD
September 2021	0.3	Unit price	1.09

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-Share TR £	11.9	5.9	2.7	-16.6	27.9
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 Sep 2021

Asset allocation – underlying fund (RTRI)



Asset allocation	%
Index-linked gilts	15.6
Long-dated index-linked gilts	10.3
Short-dated bonds	9.3
Non-UK index-linked	8.5
Protection strategies	6.1
Gold and gold equities	5.4
Cash	2.6
UK equities	20.0
Europe equities	7.1
Japan equities	6.8
North America equities	5.8
Other equities	2.3
Asia ex-Japan equities	0.4

10 largest equity holdings*

Stock	% of fund
BP	3.0
Royal Dutch Shell	2.8
Lloyds Banking Group	2.0
NatWest Group	2.0
GlaxoSmithKline	1.6
Ambev SA	1.5
iShares Physical Gold	1.5
Equinor	1.3
Barclays	1.2
ORIX Corporation	1.2

5 largest bond holdings

Stock	% of fund
UK Treasury index-linked 1.875% 2022	9.9
UK Treasury 0.125% 2023	7.8
US Treasury 0.625% TIPS 2023	7.0
UK Treasury index-linked 0.125% 2068	4.5
UK Treasury index-linked 0.125% 2065	3.9

*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\$29.6m**

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	TBC	
Buy/sell spread	0%	
Minimum initial investment	AUD\$20,000	
Management costs	1.24% per annum of the net asset value of the Fund comprising: Fund level fees and costs of 1.07% Indirect costs of 0.17%	
Dealing Day	Weekly, typically a Thursday*	
Subscription and redemption cut-off	Weekly, typically 2pm Friday*	
Subscription and redemption settlement dates	T+5, typically a Thursday*	
Investment Manager	Ruffer LLP	
Responsible Entity	The Trust Company (RE Services) Limited	
Custodian and Administrator	Mainstream Fund Services Pty Ltd	
Auditors	Ernst & Young	

*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 August 2021, assets managed by the Ruffer Group exceeded £22.9bn.

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