Ruffer Total Return International – Australia Fund

Positive returns with low volatility

During December the fund was up +0.6%.

A new year, a new beginning. Many investors may find themselves limping into 2023 with a growing sense of crisis fatigue from the last few years. Contrastingly, we find ourselves rather energised as events are broadly sweeping in the direction we have spent years preparing for.

At the moment, a benign market outcome in 2023 depends on an almost impossible trinity: a short and shallow recession, a rapid decline in inflation and an aggressive Fed pivot. Not impossible, but would you bet on it? Why would inflationary pressures, so broad-based as we enter 2023, suddenly dissipate? And even if they do, won't that be because a recession has driven unemployment up? How quickly can a Fed, so concerned about letting the inflation genie out of the bottle, realistically reverse course? If the real economy is deteriorating fast enough that inflation will drop like a stone, then why wouldn't investors also price in significant downside to corporate earnings? We don't have reasonable answers to these questions, but we do have a plan.

In the near term, we are somewhat positioned for a disinflationary lurch on the inflationary journey, bond yields coming down and a bumpy recessionary landing. We are waiting for the opportune moment to pivot towards a portfolio positioned for higher nominal growth alongside inflation and financial repression – but it's not yet. So there is a degree of what appears to be cognitive dissonance in our portfolio construction, because the portfolio we believe you want for the coming six to nine months is almost entirely different from the strategic portfolio you might want to navigate the coming decade. The risk is we are trying too hard; the danger is, by not trying to navigate through choppy markets, investors could get hurt.

We go into the year prepared for an uncomfortable ride. The first half of the year could instead be about an unusually durable US economy, sticky inflation, and a higher peak in interest rates. Alternatively, the market may be saved from further hawkishness but only because the recession happens earlier, and at greater speed. Neither has a happy ending for investors.

The setup points to significant volatility as market participants grapple with narrative swings and shifting financial conditions. We recognise we will need to trade actively to preserve capital in these choppy waters and are ready to change our views as circumstances change. For now, equities remain at their lowest level in our history – 12% gross and around zero net of option protection – though in December we added a 3% position to oil futures via an ETC and have rebuilt gold exposure towards 5%.

These periods are processes, not events. Asset markets are down, investors are impatient to buy the dip and return to money-making. These things take time: there were six months between Northern Rock and Bear Stearns and a further six months before Lehman Brothers. Patience and preparation are our watchwords and, in the meantime, for the first time in 14 years, you are starting to be paid a decent return to wait.

December 2022 **Issue 25**

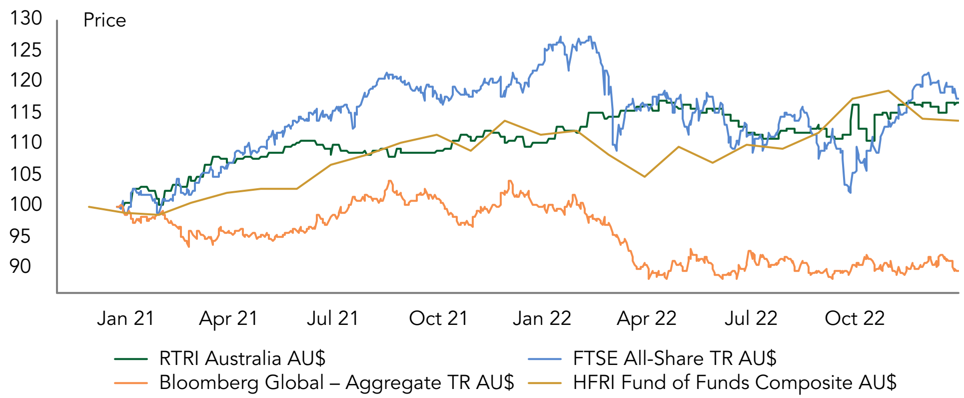
Investment objective

The investment objective of the fund is to achieve low volatility, positive returns 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. Investors should note that there can be no assurance that the investment objective will be achieved. Returns are not guaranteed.

Target Market Summary

This product is likely to be appropriate for a consumer seeking capital growth and capital preservation to be used as a core or satellite component within a portfolio where the consumer has a minimum five year investment timeframe, medium to high risk/ return profile and needs weekly access to capital.

Performance since sub-fund launch on 24 December 2020



RTRI Australia capitalisation shares	Performance %
December 2022	0.6
Year to date	6.0
1 year	6.0
Since inception to Dec 22	17.0

As at 31 December 2022	AUD
Unit price	1.1699

Source: Ruffer LLP, RTRI – Australia Fund.

Past performance is not an Indicator of future performance.

12 month performance to December %	2022
RTRI Australia AU$	6.0
FTSE All-Share TR AU$	-4.5
Bloomberg Global – Aggregate TR AU$	-10.2
HFRI Fund of Funds Composite AU$	2.2

Source: Ruffer LLP, FTSE International, Bloomberg, HFRI. Ruffer performance is shown in AUD 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 31 Dec 2022

Fund size AUD$211.2m

Asset allocation – underlying fund (RTRI)

Asset allocation	%
Short-dated bonds	32.3
Index-linked gilts	15.5
Cash	11.1
Non-UK index-linked	9.4
Long-dated index-linked gilts	5.5
Gold exposure and gold equities	5.0
Protection strategies	4.7
UK equities	5.4
Oil exposure	3.1
North America equities	3.0
Europe equities	2.7
Japan equities	1.6
Other equities	0.5

10 largest equity holdings*

Stock	% of fund
BP	1.9
Ryanair	0.6
Glencore	0.6
Ambev SA	0.5
ArcelorMittal	0.5
Yara International	0.4
Hoya	0.4
Unilever	0.4
NEC	0.4
Synchrony Financial	0.3

5 largest bond holdings

Stock	% of fund
UK Treasury index-linked 2.5% 2024	7.6
UK Treasury index-linked 0.125% 2024	6.6
US Treasury 0.625% TIPS 2023	6.1
US Treasury FRN 31 Oct 2024	5.4
US Treasury FRN 31 Jul 2024	4.0

*Excludes holdings in pooled funds

Source: Ruffer LLP.
Pie chart totals may not equal 100 due to rounding.

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 PIM1038AU	ISIN AU60PIM10382 / ARSN 643 278 693
Bloomberg	PIM1038 AU
Buy/sell spread	0%
Minimum initial investment	AUD$20,000
Management costs	1.07% per annum of the net asset value of the Fund comprising: Fund level fees and costs of 0.9% 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. Impacted dates are available from ruffer.co.uk/rtri-au

Fund Managers

Jacques Hirsch

RESEARCH 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 the University of Oxford.

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 CISI. He is co-manager of two of Ruffer's flagship funds.

Ruffer LLP

Ruffer LLP manages investments on a discretionary basis for private clients, trusts, charities and pension funds. As at 30 November 2022, assets managed by the Ruffer Group exceeded A$46.5bn.

Enquiries

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Zenith Investment Partners Recommended

Recommended Lonsec Research