Ruffer Total Return International

Positive returns with low volatility

C class February 2023 **Issue 140**

February saw the return of a 'good news is bad news' dynamic in markets as a string of positive economic surprises out of the US reignited concerns about inflation and, with it, expectations of more central bank rate hikes. This meant January's Goldilocks 'soft landing' became February's 'no landing' – a scenario in which growth remains stronger for longer, forcing interest rates to remain higher for an extended period. This was painful for most assets, with bonds suffering the most severe whiplash as global bonds followed up their best (ever) January with their worst February performance since 1990.

Whilst the bond market adjusted in real time, with yields and short-term inflation expectations rising over the month as markets priced interest rates in the US to reach 5.5% by the end of the summer (up from 4.9% at the start of the month), equities remained remarkably sanguine. At least until Valentine's Day brought stronger than expected US inflation data, hitting January's equity darlings as rate-sensitive names fell furthest (the Nasdaq fell 6.9% on the month). Against this backdrop of rising yields, the fund's long-dated inflation-linked bonds suffered, as they were not met with a commensurate rise in longer term inflation expectations. Gold, which had the additional headwind of a rising US dollar, also detracted from performance. Our protective assets offered little help as volatility and credit spreads remained subdued. Whilst a falling oil price over the period was reflected in the negative contribution from our commodity exposure, the fund's energy equities made positive returns.

The question now is whether this is just a blip in this year's risk rally, or a sign of things to come. So far, a confluence of factors has created a tactical runway for markets in the coming months. These include China re-opening, a European energy-driven rebound, US consumer resilience and positive liquidity from central banks in China, Japan, and Europe. In light of this we have used the recent weakness to add to some of our risk assets, primarily via China sensitive equities and commodities. However, we do not view this set up as sustainable for 2023 as a whole, and our positioning continues to be informed by three essential judgements: inflation can't fall back to target without recession, recession won't come without tightening financial conditions, and we won't get tighter financial conditions unless central banks are hawkish.

We are already seeing evidence a global growth rebound is inconsistent with sustained disinflation. With Fed officials having now put a 50 basis point hike back on the table, we expect both fundamentals and liquidity conditions to be challenged in the second half of the year. Hence, we have used this year's decline in volatility (equity and credit) to dial up the protection in the portfolio, using VIX calls again for the first time since 2020. What's more, equity risk premiums remain extremely depressed (at the time of writing, the yield on a six month treasury bill exceeds the earnings yield on the S&P 500) and thus our overall allocation to risk assets remains low in favour of the optionality of cash.

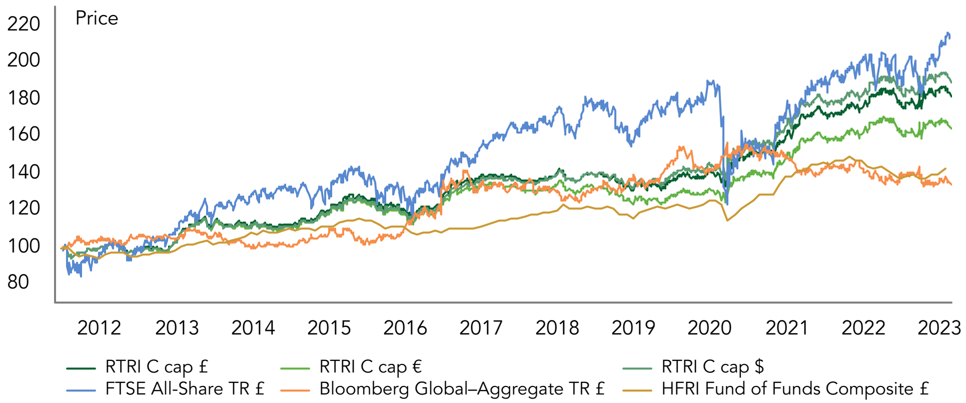
The danger today is the equity market had a narrative that it is now reluctant to abandon. We, the Fed and the bond market, it seems, have Keynes in our minds: "When the facts change, I change my mind – what do you do, sir?" So far equity markets and many investors, do not.

Investment objective

The investment objective of the Ruffer Total Return International ('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.

Performance since fund launch on 14 July 2011

Past performance does not predict future returns



Performance C cap shares %	GBP	EUR	USD
February 2023	-2.1	-2.2	-2.0
Year to date	-1.9	-2.2	-1.8
1 year	-0.1	-1.8	0.5
3 years	34.3	30.4	36.3
5 years	32.0	24.9	38.2
10 years	64.7	50.1	72.7

Share price as at 28 February 2023	
C CHF Capitalisation	1.5669
C EUR Capitalisation	1.6440
C EUR Distribution	1.6160
C GBP Capitalisation	1.8193
C GBP Distribution	1.7719
C GBP Income	1.6512
C USD Capitalisation	1.9000
C USD Distribution	1.8702

12 month performance to December %	2018	2019	2020	2021	2022
RTRI C cap £	-6.5	8.1	13.1	9.5	6.0
RTRI C cap €	-7.5	6.7	12.3	8.8	4.4
RTRI C cap $	-5.1	9.9	14.0	9.7	6.5
FTSE All-Share TR £	-9.5	19.2	-9.8	18.3	0.3
Bloomberg Global–Aggregate TR £	4.9	2.7	5.8	-3.8	-5.7
HFRI Fund of Funds Composite £	1.9	4.2	7.5	7.2	6.7

Source: Ruffer LLP, FTSE International, Bloomberg, Hedge Fund Research Inc. The comparator benchmarks shown in this document is as stated in the fund's prospectus.

Ruffer Total Return International as at 28 Feb 2023

Asset allocation

Asset allocation	%
Short-dated bonds	26.2
Index-linked gilts	14.1
Non-UK index-linked	9.5
Cash	7.6
Long-dated index-linked gilts	6.1
Gold exposure and gold equities	4.4
Illiquid strategies and options	2.5
UK/Europe equities	10.6
Commodity exposure	8.7
North America equities	3.9
Asia ex-Japan equities	3.1
Japan equities	2.8
Other equities	0.6

10 largest equity holdings*

Stock	% of fund
BP	2.2
iShares MSCI China A UCITS ETF	1.2
Ryanair	0.8
Hoya	0.7
Alibaba Group Holding	0.7
Taiwan Semiconductor Manufacturing Co	0.7
ArcelorMittal	0.7
ORIX	0.6
Glencore	0.6
Ambev SA	0.6

5 largest bond holdings

Stock	% of fund
UK Treasury index-linked 2.5% 2024	7.5
US Treasury 0.625% TIPS 2023	6.1
US Treasury FRN 31 Oct 2024	5.4
UK Treasury index-linked 0.125% 2024	5.3
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.

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Fund size £5,702.2m €6,509.5m

Fund information

	%
Ongoing Charges Figure	1.21
Maximum annual management fee (C class)	1.2
Annual management fee	1.1
Maximum subscription fee	5.0
Minimum investment (or equivalent in other currency)	£10,000,000
Record date	Third Monday of November
Ex dividend dates	Next NAV following the record date
Payment	Within five business days after ex dividend date
Dealing	Weekly, every Wednesday (if not a business day, on the following business day) Plus on the last business day of each month
Cut off	4pm Luxembourg time on the day before valuation day (so typically Tuesday and the penultimate business day of the month)
Structure	Sub-fund of Ruffer SICAV, a Luxembourg domiciled UCITS SICAV
Management company, administrative agent, registrar and transfer agent, paying and domiciliary agent	FundPartner Solutions (Europe) S.A.
Investment manager	Ruffer LLP
Depositary bank	Pictet & Cie (Europe) S.A.
Auditors	Ernst & Young S.A.

ISIN and SEDOL			
	CHF C cap	LU0638557743	B45L1M4
	EUR C cap	LU0638557669	B4MRCS8
	EUR C dis	LU0779208544	B8BHY14
	EUR CR cap	LU2559919811	BP5JDT6
	GBP C cap	LU0638557586	B4XQ109
	GBP C dis	LU0638558048	B4X19Y4
	GBP C inc	LU1220904186	BWXC1G9
	USD C cap	LU0638557826	B4WPBZ2
	USD C dis	LU0779208890	B8BHY81

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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 31 January 2023, assets managed by the Ruffer Group exceeded £26.5bn.

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Notice for Investors in Switzerland: Ruffer SICAV's prospectus, KIIDs, articles of association and the annual and semi-annual reports are available free of charge at the offi ce of the Swiss representative: FundPartner Solutions (Suisse) S.A., Route des Acacias 60 CH – 1211 Geneva 73. Ruffer SICAV's paying agent in Switzerland is Banque Pictet & Cie S.A. of the same address.