# Ruffer Total Return International – Australia Fund

## Positive returns with low volatility

During September, the fund price rose by 2.9%. This compared with a return on the FTSE All-Share of -3.4%, a return on the HFRI Fund of Funds Composite Index of 6.2%, and a return on the Bloomberg Barclays Global-Aggregate Total Return of -3.5% (all figures total returns in AUD).

A seamless succession from the late Queen Elizabeth II to King Charles III stood in stark contrast to growing instability in financial markets as the long reign of low inflation and easy money ends. Stocks and bonds both fell once again as the toxic cocktail of persistent inflation, central bank hawkishness, rising recession risk and political uncertainty left investors with few hiding places.

August's 8.3% US inflation print proved hotter than expected, dashing remaining hopes of a Fed 'pivot' away from aggressive monetary tightening. Stock markets suffered their biggest one-day drop since the depths of COVID and all the time the liquidity noose continues to tighten. Fed hikes took US rates to 3.25% and heading higher, with markets now predicting over 4% by the year end. Quantitative tightening (QT) – where the Fed drains liquidity by running down its holdings of government bonds – doubled to $95bn per month. Lower liquidity means less money is available to support asset prices. Consequently, the fund retains a record low equity weight of c.15%, which detracted 1.1% from performance. Our downside derivative protections were the biggest positive, adding 3.0%. We have taken some profits here.

Against this febrile backdrop the new British government popped its head above the parapet with a 'mini-budget' requiring extra borrowing at a time of rapidly rising rates, high inflation and a large current account deficit. A market storm ensued: sterling touched an all-time low whilst UK bond yields surged, triggering a doom-loop of disorderly selling by Liability Driven Investing (LDI) pension strategies scrambling for cash to meet derivative margin calls. Real (inflation-adjusted) yields on the longest-dated UK index-linked bonds (held in the fund) rocketed to nearly 2%. This gave us the opportunity to add to these key assets at extraordinarily distressed prices, before the Bank of England was forced to step in to restore order. At one point down over 85% year to date, the 2073 index-linked gilts rallied nearly 250% from their trough to the month end, adding significantly to performance. They remain an option on long-term inflation expectations un-anchoring. We also added new positions in long-dated US inflation-protected TIPS and conventional bonds totalling c.6%. The combination of higher yields and growing recession risk now makes these bonds more attractive than for many years. We also increased our US dollar weighting after the pound recovered from its 'mini-budget' meltdown. For now, the dollar offers defensive characteristics in a world of deepening risks.

Britain's gilt market seizure is a warning from the future. As the liquidity tide continues to recede, other crises will emerge. Housing markets are one obvious area where rapid rate rises are already causing trouble. As the Bank of England has just discovered, central banks may have to choose between controlling inflation or protecting financial stability. Ending the reign of easy money was never going to see a smooth succession. The fund remains defensively positioned with the liquidity to take opportunities as they arise.

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.

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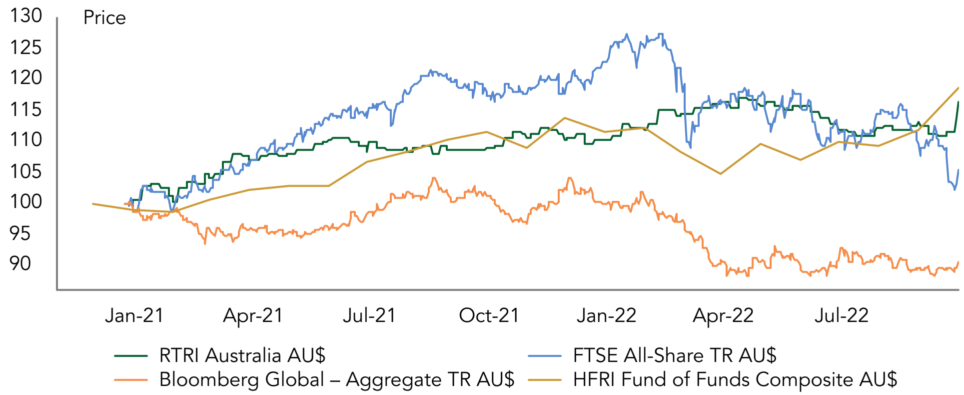
## Investment objective

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 % |
|---|---|
| September 2022 | 2.9 |
| Year to date | 5.6 |
| 1 year | 6.8 |
| Since inception to 30 Sep 2022 | 16.5 |

| As at 30 September 2022 | AUD |
|---|---|
| Unit price | 1.17 |

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

| 12 month performance to September % | 2022 |
|---|---|
| RTRI Australia AU$ | 6.8 |
| FTSE All-Share TR AU$ | -10.7 |
| Bloomberg Global – Aggregate TR AU$ | -10.6 |
| HFRI Fund of Funds Composite AU$ | 6.2 |

Source: Ruffer LLP, FTSE International. 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 30 Sep 2022

## Asset allocation – underlying fund (RTRI)

| Asset allocation | % |
|---|---|
| Index-linked gilts | 21.6 |
| Short-dated bonds | 21.5 |
| Long-dated index-linked gilts | 10.6 |
| Cash | 9.7 |
| Protection strategies | 8.1 |
| Non-UK index-linked | 8.1 |
| Long-dated bonds | 4.8 |
| Gold exposure and gold equities | 1.4 |
| UK equities | 5.1 |
| North America equities | 3.1 |
| Europe equities | 2.7 |
| Japan equities | 2.1 |
| Asia ex-Japan equities | 0.3 |
| Other equities | 0.9 |

## 10 largest equity holdings*

| Stock | % of fund |
|---|---|
| BP | 1.7 |
| Ambev SA | 0.9 |
| Unilever | 0.6 |
| Hoya | 0.5 |
| Ryanair | 0.5 |
| Deutsche Post | 0.4 |
| Glencore | 0.4 |
| Fujitsu | 0.4 |
| Yara International | 0.4 |
| NEC | 0.4 |

## 5 largest bond holdings

| Stock | % of fund |
|---|---|
| US Treasury 0.625% TIPS 2023 | 7.6 |
| UK Treasury index-linked 2.5% 2024 | 7.3 |
| UK Treasury index-linked 1.875% 2022 | 6.7 |
| UK Treasury index-linked 0.125% 2024 | 6.3 |
| UK Treasury index-linked 0.125% 2068 | 4.5 |

*Excludes holdings in pooled funds

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



## Fund size AUD$129.5m

## 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 | 1.05% per annum of the net asset value of the Fund comprising: Fund level fees and costs of 0.9% Indirect costs of 0.15% |
| 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

Zenith Investment Partners Recommended

Recommended Lonsec Research

## 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. 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 August 2022, assets managed by the Ruffer Group exceeded A$44.7bn.

## Enquiries

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