Ruffer Total Return International – Australia Fund

Positive returns with low volatility

June 2023 **Issue 31**

June recorded a further positive month for global equities, and a frustrating one for the portfolio, marking what has been a disappointing six month period in the context of our focus on capital preservation.

Markets have increasingly tried to consign 2022 to history. A bad dream, but no more. The prospect of a recession has led to a belief that rates might come down as quickly as they have risen. Supported by plentiful liquidity, stability has dominated. We have been more worried about the potential for instability. Suffering pain in our protective investments is not new, but we would usually hope that this would be offset by good performance from our growth assets. The path for stability described above, in our opinion, would necessitate continued strength in the real economy. We felt this would largely be predicated on continued recovery from China, supported by both stimulus and a powerful re-opening. This led us to focus our growth assets on both commodities, and equities more geared to the real economy. So far, this has not been the case, commodities have created a further headwind. Equally, whilst our equities have contributed positively, this has not been sufficient to offset the cost of protection.

Currently markets are increasingly certain policy makers will successfully be able to bring inflation back to target and will do so without creating any financial instability. The much-fabled soft landing will play out. Meanwhile, with interest rates moving higher than expected, and likely to stay high for longer, the impacts of tighter monetary policy are starting to be felt. This is already having consequences. We believe this will inevitably, and intentionally, slow the economy. Despite this obvious risk, markets remain certain the risks will be contained. Investors are now willing to buy into equities (and indeed corporate credit) despite the fact they now offer a lower return (and higher risk) than cash! We are increasingly taking the other side of this perceived certainty.

The protections in the portfolio are threefold: structural protection against a new regime which is likely to be characterised by rising and more volatile levels of inflation; shorter-term (and powerful) protection against the potential financial instability caused by tighter liquidity and higher interest rates; and protection against the likely recession that will follow. For the moment, investors seem to be growing in confidence that policy makers will be able to successfully navigate the narrow tightrope of stability. Tightening policy sufficiently to maintain monetary (or inflation) stability, without creating financial instability. We are less convinced. Taking a cautious view can be painful, but history tells us that not long after these periods the risks emerge, leading to significant drawdowns in markets.

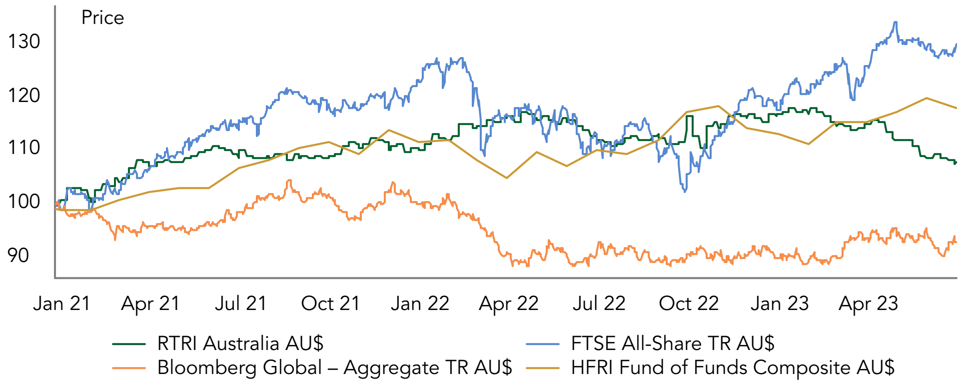
Investment objective

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 %
June 2023	-0.6
Year to date	-7.6
1 year	-3.5
Since Inception	8.1

As at 30 June 2023	AUD
Unit price	1.0806

Source: Ruffer LLP, RTRI – Australia Fund.

Past performance is not an indicator of future performance.

12 month performance to June %	2022	2023
RTRI Australia AU$	3.1	-3.5
FTSE All-Share TR AU$	-2.4	16.7
Bloomberg Global – Aggregate TR AU$	-7.5	1.9
HFRI Fund of Funds Composite AU$	3.2	7.1

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. The comparator benchmarks shown are those of the underlying fund, hedged in AUD, which were chosen because they represent the investible universe of the strategy, both in terms of instruments and geographies.

Ruffer Total Return International – Australia Fund as at 30 Jun 2023

Asset allocation – underlying fund (RTRI)

Asset allocation	%
Short-dated bonds	26.9
Non-UK index-linked	14.4
Cash	10.2
Index-linked gilts	9.2
Long-dated index-linked gilts	8.7
Gold exposure and gold equities	5.4
Protection strategies	2.0
Commodity exposure	8.3
UK equities	4.5
North America equities	3.5
Europe equities	3.1
Asia ex-Japan equities	2.3
Japan equities	0.9
Other equities	0.5

10 largest equity holdings*

Stock	% of fund
iShares MSCI China A UCITS ETF	1.0
Ryanair	0.8
Alibaba Group Holding	0.7
Taiwan Semiconductor Manufacturing Co	0.6
BP	0.6
Bayer AG	0.5
Ambev SA	0.5
Glencore	0.4
Cigna	0.3
Amazon	0.3

5 largest bond holdings

Stock	% of fund
UK Treasury index-linked 2.5% 2024	6.9
US Treasury 0.625% TIPS 2024	6.1
US Treasury FRN 31 Oct 2024	4.5
US Treasury 0.125% TIPS 2052	4.1
Australian govt bonds 2.75% 2024	3.6

*Excludes holdings in Ruffer funds

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

Fund size AUD$284m

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
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	Apex 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 Manager

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 May 2023, assets managed by the Ruffer Group exceeded A$48.4bn.

Enquiries

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Zenith Investment Partners Recommended

Recommended Lonsec Research