

Ruffer Total Return International – Australia Fund

Positive returns with low volatility

During October, the fund price increased from 1.09 AUD to 1.11 AUD. This compared with a rise of 3.3% in the FTSE All-World index and a rise of 2.2% in the FTSE Govt All Stocks index (total return figures in Australian dollars, with the FTSE All-World and FTSE Govt All Stocks indices in sterling).

The last two months represent a good outcome for performance – we held our own in September as equity and bond markets fell in tandem, and then captured the bounce in October. Performance in October was driven by inflation-focused assets – particularly gold, energy companies and inflation-linked bonds.

The policy landscape is shifting. In the last week of October there was a whiff of panic amongst fixed income investors. Short yields rose sharply as fears mounted that central bankers are behind the curve in tackling inflation. This led to some extraordinary moves. The Reserve Bank of Australia was forced to abandon its policy of yield curve control and the Bank of Canada stopped its quantitative easing programme. The Bank of England now seems likely to raise rates, the Fed has dropped the word ‘transitory’ from its narrative and is likely to taper its \$120bn monthly asset purchase scheme. Until recently, the sure message was that inflation would wash out and no action was required.

In other markets there is broad insouciance on inflation, and while inflation assets have performed well, so has almost everything else. According to the Bank of America Investor Survey a record number of portfolio managers are bearish on bonds, but the volume of renewables and infrastructure issuance would suggest they still love bond proxies. The gold price is down 5% year to date, the US 10-year yield is still only at 1.5% and the S&P 500 is trading at a 21x P/E multiple. This all suggests that markets are comfortable with inflation reverting lower relatively soon.

While Central Bank credibility is being threatened at the short end, perversely it seems that it is strengthening at the long-end of the yield curve. The expectation of near-term tightening is anchoring longer-term inflation expectations and long-term bond yields. Essentially the market is saying that despite lower credibility on their recent actions, Central Banks have the willpower and means to tame inflation. This emphasises the power and complacency of the belief in central bank omnipotence and underscores just how shocking it might be were that to change. Citigroup strategist Matt King summarised: ‘Expect tantrums in risk [assets] if central banks respond to inflation – and tantrums in bonds if they don’t.’ Monetary policy setters are firmly wedged between a rock and a hard place.

While we expect inflation and real rate volatility to increase, it will not be a straightforward journey. This will necessitate a nimble portfolio. To use one example, interest rate options have allowed us to manage the fund’s duration this year – making money in bonds even as yields were rising. This flexibility will be useful going forwards.

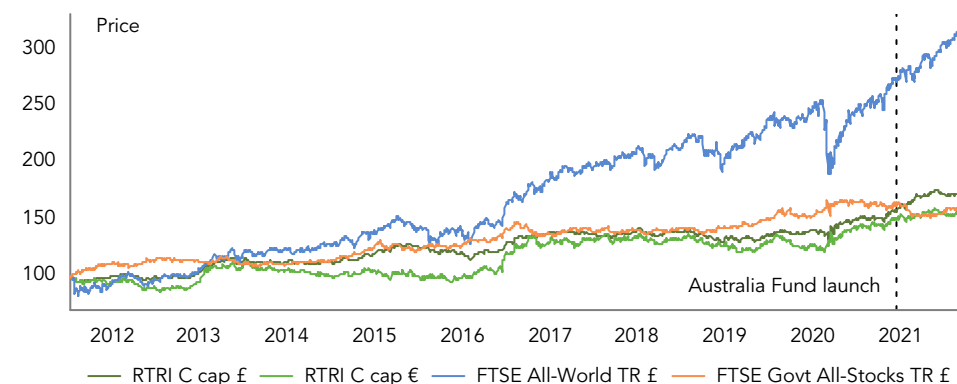
Ruffer performance is shown after deduction of all fees and management charges, and on the basis of income being reinvested. Past performance is not a guide to future performance. The value of the shares and the income from them can go down as well as up and you may not get back the full amount originally invested. The value of overseas investments will be influenced by the rate of exchange.



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



RTRI C GBP capitalisation shares*	Performance %	As at 31 October 2021	AUD
October 2021	1.6	Unit price	1.11

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-World TR £	14.9	12.8	7.2	5.2	22.2
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 31 Oct 2021

Asset allocation – underlying fund (RTRI)



Asset allocation	%
● Index-linked gilts	15.0
● Long-dated index-linked gilts	11.7
● Short-dated bonds	8.7
● Non-UK index-linked	8.0
● Gold and gold equities	6.0
● Protection strategies	5.6
● Cash	5.2
● UK equities	18.3
● Europe equities	6.9
● Japan equities	6.4
● North America equities	5.8
● Other equities	2.1
● Asia ex-Japan equities	0.3

10 largest equity holdings*

Stock	% of fund
BP	2.8
Royal Dutch Shell	2.5
Lloyds Banking Group	2.1
NatWest Group	1.8
GlaxoSmithKline	1.7
Ambev SA	1.6
iShares Physical Gold	1.4
ORIX Corporation	1.2
Cigna	1.1
Barclays	1.0

5 largest bond holdings

Stock	% of fund
UK Treasury index-linked 1.875% 2022	9.4
UK Treasury 0.125% 2023	7.5
US Treasury 0.625% TIPS 2023	6.7
UK Treasury index-linked 0.125% 2068	5.3
UK Treasury index-linked 0.125% 2065	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 **AUD\$43.1m**

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 30 September 2021, assets managed by the Ruffer Group exceeded £23.2bn.

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