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Creating a pension portfolio fit for the new macroeconomic reality

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Seeking safety in the new investment regime

THE CHALLENGE

NEW REGIME: LESSONS LEARNT

- Reliance on same thinking for last 3 decades has left markets vulnerable to flawed thinking on risk.
- Bonds = foe not friend
- Correlation flips (diversification/ unconventional assets)
- Higher inflation volatility, higher portfolio volatility, higher retirement outcome volatility

THE PURPOSE

MEMBER'S NEEDS

- Investment losses
 minimised/eliminated
- In turn, reducing the destructive consequences of sequencing risk
- Inflationary backdrop relative real returns imperative to protect capital
- A pot that withstands the challenges of increased life expectancy
- Typical drawdown is 8% (FCA Retirement Income Study)

A SOLUTION

WHAT ARE THE KEY COMPONENT PARTS?

- Diversification from conventional bonds and equities
- Sophisticated toolkit
- A return profile with positive correlation to markets during bull markets
- Capital preservation and downside protection during bear markets
- Preserving the real value of savers pots



What is the new macroeconomic reality?

HOW DO WE REDUCE UNCERTAINTY FOR THOSE MOST IN NEED OF STABILITY?

A changed investment regime

The impact of sustained, higher inflation

The challenge for asset allocators

Finding a client-centric solution



A changed investment regime

The disinflationary forces that shaped our world...

...ARE NOW MUCH DIMINISHED AND IN SOME CASES REVERSING











R U

Capital's post-Cold War Golden Age

LOW RATES, INFLATION AND VOLATILITY HAVE UNDERPINNED ASSET PERFORMANCE



Source: Ruffer LLP, Robert Shiller, Yale Data to February 2023



A new era of inflation volatility lies ahead

THE OUTCOME IS UNLIKELY TO BE LINEAR: MORE VOLATILE THAN ELEVATED



Source: Bank of England, ASR Ltd/ Refinitiv. Data to June 2023



And is likely to be sticky

ONCE INFLATION IS ABOVE 5% IT TAKES ON AVERAGE A DECADE TO DROP BACK TO 2%





The impact of sustained, higher inflation



A historic tightening cycle

12M CHANGE IN THE GDP-WEIGHTED AVERAGE OF TWO YEAR GOVERNMENT BOND YIELDS ACROSS COUNTRIES



Source: Datastream. Data to August 2023

R U

Something always breaks...

IT'S A QUESTION OF 'WHEN', NOT 'IF'



Source: FactSet. Data to September 2023



Why does higher inflation matter for investors?

HISTORY SHOW THAT BONDS DO NOT EFFECTIVELY OFFSET EQUITIES IN PERIODS OF HIGHER INFLATION



Source: Bloomberg-Barclays, Shiller, GFD, BLS, Minack Advisors. Rolling 36 month correlation between the one month S&P 500 total return and one month 10 year Treasury return, versus three year average core inflation rate. Data from 1960.



Correlation is positive through history

US BOND-EQUITY CORRELATION SINCE 1902



Source: Global Financial Data. Ruffer. Rolling two-year correlation. Data to <u>August 2023</u>



Inflation volatility: the sleeper awakes

THE RECENT PERIOD OF LOW INFLATION VOLATILITY WAS AN EXCEPTION, NOT THE RULE



Source: Reis, Ricardo (2022), The Burst of High Inflation in 2021-22: How and why did we get here? Bank of England. ONS. Ruffer analysis



Inflation volatility will also see bond volatility

BOND VOLATILITY FOLLOWS INFLATION VOLATILITY





The challenge for asset allocators

So much for 'safe haven'...

FIXED INCOME ENDURED ITS WORST YEAR IN 2022. FIXED INCOME'S PORTFOLIO ROLE IS CHALLENGED





Everything has been moving to the same beat

DIFFERENT ASSET CLASSES ARE INCREASINGLY DANCING TO THE SAME TUNE



Source: Ruffer, Bloomberg. Proportion of variation explained by first two principal components. 45 years of weekly data across US, UK, Germany, Japan and EM equities, dollar index, GBP, EUR, JPY, AUD, oil, gold, commodities index, US and UK 10y yields



Finding a client-centric solution



A solution

WHAT ARE THE CHARACTERISTICS REQUIRED?

- Diversification from conventional bonds and equities
- Sophisticated toolkit
- A return profile with positive correlation to markets during bull markets
- Capital preservation and downside protection during bear markets
- Preserving the real value of savers pots



All-weather investing since 1994

28 YEAR TRACK RECORD OF KEEPING CLIENTS SAFE €28.3 BILLION OF ASSETS UNDER MANAGEMENT

EXPERIENCED TEAM OF INVESTMENT PROFESSIONALS

Environmental, social and governance (ESG) is integrated

Clients range from institutions to pensions funds, charities, financial planners, individuals and family offices The entire firm is focused on delivering one investment strategy Our partnership structure aligns our long-term approach to client interests



A focus on keeping clients safe

TWO SIMPLE INVESTMENT OBJECTIVES...



Not to lose money on any 12 month rolling basis Aiming to provide genuine protection in times of market stress



Generate returns meaningfully ahead of the return on cash Positive returns throughout a market cycle

Long-term performance

RUFFER VERSUS FTSE ALL-SHARE AND EURO CASH



Source: Ruffer, FTSE, Bloomberg. Performance data is included in the appendix. Cumulative performance between 30 June 1995 and 31 August 2023 (quarterly until 30 June 2023 and monthly thereafter). All references to Ruffer performance refer to Ruffer's representative portfolio until 14 July 2011, when Ruffer Total Return International was launched. Ruffer's representative portfolio shows the performance of an unconstrained, segregated, model portfolio of £1 million set up in 1995 following Ruffer's investment approach, hedged into EUR, after deduction of all fees and management charges, and on the basis of income being reinvested. Performance of the Ruffer Total Return International fund is shown for the C Cap EUR share class.



A strategy where correlation falls during market stress

Credit dot.com Covid-19 2022 rate crisis bust crisis rises 800 1.0 0.8 700 0.6 600 0.4 500 0.2 400 0 -0.2 300 -0.4 200 -0.6 100 -0.8 -FTSE All-Share TR (lhs) Ruffer versus FTSE All-Share TR, rolling two year correlation (rhs) -1.0 0 2023 1997 1999 2003 2007 2009 2011 2015 2019 2021 2001 2005 2013 2017

...AND RISES AS MARKETS RALLY

Source: FTSE Russell, Ruffer calculations, based on quarterly performance data from 30 June 1997 to 30 June 2023



Seeking to reduce but not eliminate risk

RUFFER COMPARED TO INDICES AND BENCHMARKS, 28 YEARS ANNUAL RETURNS TO 30 JUNE 2023



Volatility is not a complete measure of risk, but provides a basis for comparison. Source: Ruffer analysis, Bloomberg, FTSE International (FTSE), Hedge Fund Research, Inc, FTSE Actuaries Govt All-Stocks, FTSE 100, FTSE All-World ex-UK. S&P 500, JPMorgan Global Govt Bond, all calculated in sterling on a total return basis. Gold bullion is calculated in sterling. US Treasuries 7-10 years and HFRI Fund of Funds Composite is calculated in local currency on a total return basis. HFRI Fund of Funds Composite is being used under license from Hedge Fund Research, Inc., which does not approve of or endorse the content of this communication.

Ruffer's representative portfolio is an unconstrained segregated portfolio following Ruffer's investment approach. Ruffer performance is shown in pounds sterling, after deduction of all fees and management charges, on a total return basis.



Adding Ruffer improves risk and return

RISK AND RETURN OUTCOMES FROM THE INTRODUCTION OF RUFFER INTO A BALANCED PORTFOLIO OF GLOBAL STOCKS AND BONDS



Source: Ruffer, FactSet, MSCI World TR Index, unhedged returns in GBP, Bloomberg Barclays Global Aggregate TR Bond Index, unhedged returns in GBP. Assumes quarterly rebalancing. Data from 30 June 1995 to 31 December 2022



The role Ruffer can play for pension schemes



All within a daily liquid vehicle that offers maximum flexibility

Regulatory performance data

PERCENTAGE GROWTH

Past performance does not predict future returns

To 31 Dec %	96	97	98	99	00	01	02	03	04	05	06	07	08	09	10	11	12	13	14	15	16	17	18	19	20	21	22	23*
Ruffer EUR Hedged	7.8	16.0	18.3	-2.6	14.8	4.8	2.4	15.3	8.8	11.3	6.5	0.5	14.9	13.1	15.1	1.9	4.3	10.7	3.8	-0.6	10.1	-0.1	-6.7	5.8	15.8	7.5	4.2	-9.3
RTRI C Cap EUR																-0.4	3.0	9.1	5.6	-0.1	13.0	0.1	-7.5	6.7	12.3	8.8	4.4	-9.3
Ruffer + RTRI C EUR	7.8	16.0	18.3	-2.6	14.8	4.8	2.4	15.3	8.8	11.3	6.5	0.5	14.9	13.1	15.1	1.3	3.0	9.1	5.6	-0.1	13.0	0.1	-7.5	6.7	12.3	8.8	4.4	-9.3
FTSE All-World (EUR)	15.8	31.7	14.5	45.9	-6.6	-12.9	-32.5	9.8	7.5	28.4	9.0	1.3	-39.1	31.2	20.5	-4.6	14.7	17.4	18.7	9.0	11.2	8.9	-5.0	28.9	6.4	27.4	-12.7	12.7
Euribor 1m	3.4	3.3	3.6	2.9	4.3	4.4	3.4	2.4	2.1	2.2	2.9	4.1	4.4	1.0	0.6	1.2	0.4	0.1	0.1	-0.1	-0.3	-0.4	-0.4	-0.4	-0.5	-0.6	0.0	1.9
To 31 Dec %	05	06	()7	08	09	1	0	11	12	13		14	15	16	1	7	18	19	2	0	21	22					
Ruffer £	14.1	8.4	2	.1	16.0	13.0	15.	1	1.3	4.6	11.1	4	4.2	-0.1	10.9	0	.5	-5.8	7.0	16.	7	8.2	5.7					
Bloomberg Barclays Global TR £	20.3	3.5	5	.3 -	19.8	13.1	13.	0 -	6.9	8.2	21.8		9.3	2.9	25.6	9	.7	-4.9	20.4	10.	52	1.2	-9.3					
MSCI World TR £	10.6	-14.4	-2	.2	40.5	-10.2	3.	8	2.8	-2.2	-5.2	1(0.7	3.5	19.7	-9	.1	3.8	-0.1	-1.	1 -	3.3	-3.3					
Bank Rate	4.7	4.7	5	.6	5.0	0.8	0.	5	0.5	0.5	0.5	. (0.5	0.5	0.4	0	.3	0.6	0.8	0.	3	0.1	1.3					

Source: Ruffer, MSCI, FTSE International, Bloomberg. 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 reliable indicator of 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. Calendar quarter data has been used up to the latest quarter end. Ruffer LLP is authorised and regulated by the Financial Conduct Authority. This marketing communication, and any statements accompanying it, are for information only and are not intended to be legally binding. Unless otherwise agreed in writing, our investment management agreement, in the form entered into, constitutes the entire agreement between Ruffer and its clients, and supersedes all previous assurances, warranties and representative portfolio which shows the performance of an unconstrained, segregated portfolio of £1 million set up in 1995 to follow Ruffer's investment approach.

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