

Ruffer Investment Company Limited

An alternative to alternative asset management



July 2022 Issue 206

During July, the net asset value of the Company rose by 0.1%. This compared to the FTSE All-Share TR which rose by 4.4%.

In June almost all asset classes posted a negative return in the face of a surprise increase in the US inflation rate (US CPI rose from 8.3% to 8.6%) and the prospect of increased monetary tightening by the US Federal Reserve. In July, risk appetite roared back even as inflation increased again, from 8.6% to 9.1%, and the US Federal Reserve increased interest rates by 75bps for the second month in a row. The fund was broadly flat on the month, its defensive positioning articulated in last month's factsheet holding it back. Underneath the surface, performance contributions from the fund's equity exposure (+1.1%) and UK long-dated index-linked bonds (+1.2%) were offset by the unconventional protections (-1.6%) and gold exposure (-0.1%).

What explains the positive market outturns in a month which, according to Deutsche Bank, saw one of the steepest quarter-on-quarter declines in underlying company earnings in the last decade? We are back in the territory of bad news being good news for equity and bond markets. Over the last few months, investor expectations have shifted from stagflation risk to recession risk and are now to starting to re-price the re-establishment of a Fed 'put' – the moment when the US Federal Reserve will abandon its monetary tightening and focus on growth stabilisation which will either directly or indirectly support equity markets. Interest rate futures now price that the central bank will be cutting interest rates by early next year.

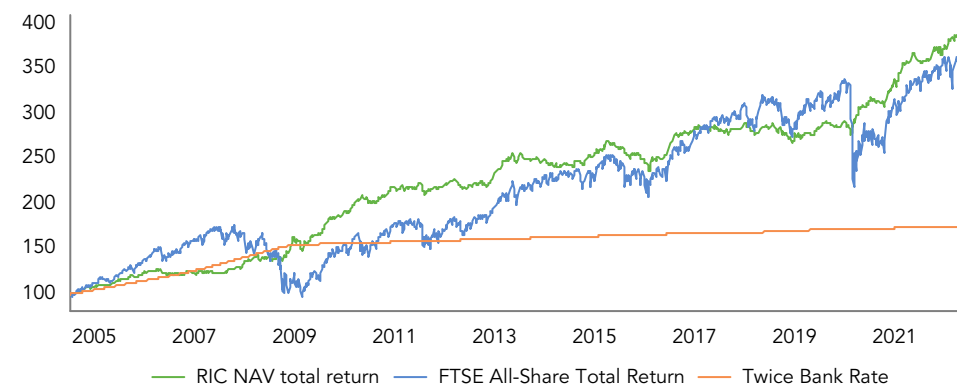
How likely is this outcome? Possible, but not likely. We have been through numerous 'unprecedented' events in the last few years. 'Unprecedented' amounts of peace-time fiscal stimulus in 2020 and 2021, combined with 'unprecedented' monetary policy; but it would be truly unprecedented to slow the economy sufficiently to bring down the highest inflation rate for 40 years with an after-inflation policy rate that never goes positive. It would require a much deeper economic slowdown than is implied in 2023 earnings estimates, which have barely budged.

This bear market is not over, and we believe that we are entering its most dangerous phase. Liquidity is being drained from the financial system. Jamie Dannhauser, Ruffer's Economist, covered this in detail in the latest [Green Line](#). The interest rate on US dollar short-dated bonds is now providing a genuine alternative to taking risk. One of the pushbacks to the view that a move lower in equity markets was likely, was the already extremely bearish investor sentiment and positioning. A low-liquidity summer rally, sucking in those who can't afford relative underperformance, should see this box ticked. We have used the last month's moves to reduce direct equity exposure further to try and ensure the portfolio is robust to the risks we see. Capital preservation is at the forefront of our minds.

Investment objective

The principal objective of the Company is to achieve a positive total annual return, after all expenses, of at least twice the Bank of England Bank Rate by investing predominantly in internationally listed or quoted equities or equity related securities (including convertibles) or bonds which are issued by corporate issuers, supranationals or government organisations.

Performance since launch on 8 July 2004



Performance %	Net Asset Value	Share price	As at 29 July 2022	p
July 2022	0.1	-1.3	Share price	296.00
Year to date	3.2	1.9	Net Asset Value (NAV) per share	295.33
1 year	6.6	4.9		%
3 years	31.7	36.2	Premium/discount to NAV	1.7
5 years	35.6	34.6	NAV total return since inception ²	281.2
10 years	72.7	69.7	Standard deviation ³	1.87
			Maximum drawdown ³	-8.62

Monthly share price performance is calculated on a price return basis, during the months of March and September this will include dividend distributions. All other figures are calculated on a total return basis (including reinvestment of income)

²Including 43.8p of dividends ³Monthly data (total return NAV)

12 month performance to June %	2018	2019	2020	2021	2022
RIC NAV total return	0.8	-0.9	10.1	15.3	6.0
FTSE All-Share Total Return	9.0	0.6	-13.0	21.5	1.6
Twice Bank Rate	0.8	1.4	1.0	0.1	0.7

Source: Ruffer LLP, FTSE International (FTSE) †

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.

Ruffer Investment Company Limited as at 29 Jul 2022

Asset allocation



Asset allocation	%
● Cash	17.7
● Illiquid strategies and options	16.1
● Short-dated bonds	15.8
● Index-linked gilts	10.4
● Long-dated index-linked gilts	8.2
● Non-UK index-linked	8.1
● Gold exposure and gold equities	2.4
● Global funds	0.4
● UK equities	10.5
● North America equities	3.8
● Japan equities	3.7
● Europe equities	2.4
● Asia ex-Japan equities	0.4

Currency allocation	%
● Sterling	69.1
● US dollar	11.4
● Yen	10.3
● Australian dollar	6.0
● Euro	1.5
● Other	1.7

Currency allocation



10 largest equity holdings*

Stock	% of fund
BP	2.0
Mitsubishi UFJ Financial Group	0.9
Shell	0.7
Chesapeake Energy	0.6
Unilever	0.6
NatWest Group	0.5
Taylor Maritime	0.5
Mitsubishi Electric	0.5
Cigna	0.5
Lloyds Banking Group	0.5

5 largest bond holdings

Stock	% of fund
US Treasury 0.625% TIPS 2023	7.7
US Treasury FRN 2024	5.9
UK Treasury index-linked 1.875% 2022	5.1
US Treasury FRN 2023	4.6
UK Treasury index-linked 0.125% 2024	3.6

*Excludes holdings in pooled funds

Source: Ruffer LLP.

Pie chart totals may not equal 100 due to rounding.

NAV £981.6m Market capitalisation £983.8m Shares in issue 332,377,764

Company information

Annual management charge (no performance fee)	1.0%		
Ongoing Charges Ratio*	1.08%		
Ex dividend dates	March, October		
NAV valuation point	Weekly, every Tuesday and the last business day of the month		
Stock ticker	RICA LN		
ISIN	GB00B018CS46	SEDOL	B018CS4
Administrator	Sanne Fund Services (Guernsey) Limited		
Broker	Investec		
Custodian	Northern Trust (Guernsey) Limited		
Company structure	Guernsey domiciled limited company		
Share class	£ sterling denominated preference shares		
Listing	London Stock Exchange		
NMPI status	Excluded security		
Wrap	ISA/SIPP qualifying		
Discount management	Share buyback Discretionary redemption facility		

* Audited as at 31 December 2021

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Fund Manager

Duncan MacInnes

INVESTMENT DIRECTOR

Joined Ruffer in 2012. He graduated from the University of Glasgow School of Law in 2007 and spent four years working at Barclays in Glasgow, London and Singapore. He is a CFA charterholder and co-manager of two of Ruffer's flagship funds.



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Ruffer LLP

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