

Ruffer Investment Company Limited

An alternative to alternative asset management



December 2022 Issue 211

During December the net asset value of the company was up 0.3%. This compared to the FTSE All-Share TR which fell by -1.4%.

A new year, a new beginning. Many investors may find themselves limping into 2023 with a growing sense of crisis fatigue from the last few years. Contrastingly, we find ourselves rather energised as events are broadly sweeping in the direction we have spent years preparing for.

At the moment, a benign market outcome in 2023 depends on an almost impossible trinity: a short and shallow recession, a rapid decline in inflation and an aggressive Fed pivot. Not impossible, but would you bet on it? Why would inflationary pressures, so broad-based as we enter 2023, suddenly dissipate? And even if they do, won't that be because a recession has driven unemployment up? How quickly can a Fed, so concerned about letting the inflation genie out of the bottle, realistically reverse course? If the real economy is deteriorating fast enough that inflation will drop like a stone, then why wouldn't investors also price in significant downside to corporate earnings? We don't have reasonable answers to these questions, but we do have a plan.

In the near term, we are somewhat positioned for a disinflationary lurch on the inflationary journey, bond yields coming down and a bumpy recessionary landing. We are waiting for the opportune moment to pivot towards a portfolio positioned for higher nominal growth alongside inflation and financial repression – but it's not yet. So there is a degree of what appears to be cognitive dissonance in our portfolio construction, because the portfolio we believe you want for the coming six to nine months is almost entirely different from the strategic portfolio you might want to navigate the coming decade. The risk is we are trying too hard; the danger is, by not trying to navigate through choppy markets, investors could get hurt.

We go into the year prepared for an uncomfortable ride. The first half of the year could instead be about an unusually durable US economy, sticky inflation, and a higher peak in interest rates. Alternatively, the market may be saved from further hawkishness but only because the recession happens earlier, and at greater speed. Neither has a happy ending for investors.

The setup points to significant volatility as market participants grapple with narrative swings and shifting financial conditions. We recognise we will need to trade actively to preserve capital in these choppy waters and are ready to change our views as circumstances change. For now, equities remain at their lowest level in our history – 12% gross and around zero net of option protection – though in December we added a 3% position to oil futures via an ETC and have rebuilt gold exposure towards 5%.

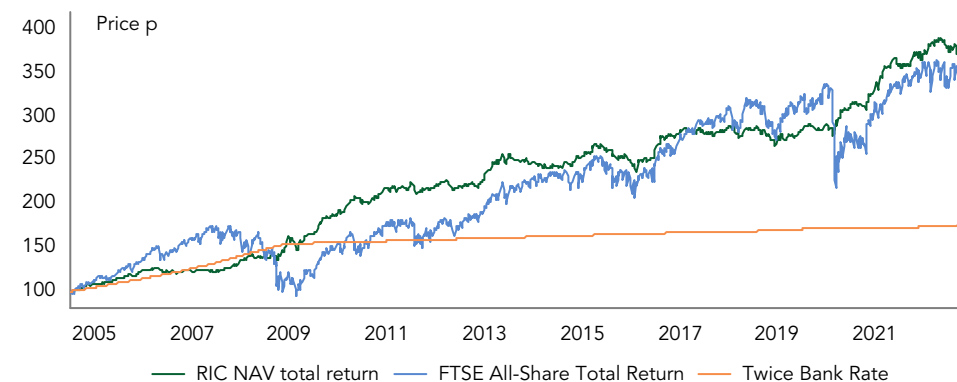
These periods are processes, not events. Asset markets are down, investors are impatient to buy the dip and return to money-making. These things take time: there were six months between Northern Rock and Bear Stearns and a further six months before Lehman Brothers. Patience and preparation are our watchwords and, in the meantime, for the first time in 14 years, you are starting to be paid a decent return to wait.

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 principal objective of the Company is to achieve a positive total annual return, after all expenses, of at least twice the Bank of England base rate. The Company predominantly invests in internationally listed or quoted equities or equity-related securities (including convertibles) or bonds which are issued by corporate issuers, supra-nationals or government organisations. Where appropriate, collective investment schemes will also be used to gain exposure to these assets.

Performance since launch on 8 July 2004



Performance %	Net Asset Value	Share price	As at 30 December 2022	p
December 2022	0.3	0.2	Share price	311.00
Year to date	8.0	7.3	Net Asset Value (NAV) per share	307.85
1 year	8.0	7.3		%
3 years	36.5	41.4	Premium/discount to NAV	1.0
5 years	39.0	38.5	NAV total return since inception ²	299.0
10 years	75.3	75.6	Standard deviation ³	1.86
			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 45.0p of dividends ³Monthly data (total return NAV)

12 month performance to December %	2018	2019	2020	2021	2022
RIC NAV total return	-6.0	8.4	13.5	11.4	8.0
FTSE All-Share Total Return	-9.5	19.2	-9.8	18.3	0.3
Twice Bank Rate	1.2	1.5	0.5	0.2	2.9

Source: Ruffer LLP, FTSE International

Ruffer Investment Company Limited as at 30 Dec 2022

Asset allocation



Asset allocation	%
Short-dated bonds	32.5
Illiquid strategies and options	18.5
Index-linked gilts	9.3
Non-UK index-linked	9.2
Long-dated index-linked gilts	5.8
Gold exposure and gold equities	4.5
Cash	3.7
Global funds	0.3
UK equities	6.6
Oil exposure	3.1
North America equities	3.0
Europe equities	1.8
Japan equities	1.5
Asia ex-Japan equities	0.1
Other equities	0.2
Currency allocation	%
Sterling	63.0
US dollar	13.8
Yen	11.8
Australian dollar	6.5
Euro	1.7
Other	3.2

Currency allocation



10 largest equity holdings*

Stock	% of fund
BP	1.6
Mitsubishi UFJ Financial Group	0.5
Sony	0.4
Shell	0.4
Royal Vopak	0.4
Fujitsu	0.3
Haleon	0.3
Trident Royalties	0.3
Meta Platforms	0.3
Hipgnosis Songs Fund	0.3

5 largest bond holdings

Stock	% of fund
UK Treasury index-linked 0.125% 2024	9.3
US Treasury FRN 31 Jan 2024	7.0
US Treasury FRN 31 Oct 2023	6.2
US Treasury 0.625% TIPS 2023	5.7
US Treasury FRN 31 Oct 2024	4.4

*Excludes holdings in pooled funds
Source: Ruffer LLP.
Pie chart totals may not equal 100 due to rounding.

NAV £1,126.3m Market capitalisation £1,135.5m Shares in issue 365,117,764

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 Managers

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.



Jasmine Yeo

INVESTMENT MANAGER

Graduated from Warwick Business School with a degree in international business with Spanish, and joined Ruffer's UK private client team in 2017. She became a member of the CISI in 2020, following completion of the Chartered Wealth Manager qualification. She is an investment specialist in Ruffer's UK Wholesale team, working closely with multi-family offices, wealth managers, financial planners and their clients.



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Ruffer LLP

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