

Ruffer Investment Company Limited

An alternative to alternative asset management



March 2023 Issue 214

If ever there was a month to dig a little deeper than a cursory glance at the positive returns for both bonds and equities, it was March 2023. We began the month with US Federal Reserve Chairman Jerome Powell reintroducing volatility to the bond market after he noted that the Fed would again consider 50bp rate hikes. This moved bond yields higher for a matter of days before the collapse of Silicon Valley Bank in the US and the rushed acquisition of the long-troubled Credit Suisse by its Swiss counterpart UBS, as investors turned their backs on the weakest of financials. Policymakers have been swift in responding and we have likely survived a moment of acute stress. What has not been solved is the chronic shift of deposits away from bank accounts to higher yielding alternatives and the damaging effect this will pose to financial market liquidity.

The fund's duration assets, through inflation-linked government bonds and gold exposure, delivered positive contributions as yields fell. On the negative side of the ledger, the fund's exposure to commodity assets detracted from performance as uncertainty over the health of the global economy rose. Given the stability of the portfolio through these rapidly shifting sands, we resisted the temptation to make major changes. However, we did increase yen exposure to c 15% to enhance its role as a key protective asset in the portfolio's armoury.

There appears to be a growing dichotomy between the interpretation of recent events by bond and commodity markets compared to equities. The former are more than hinting that economic conditions are soon to deteriorate, whilst the latter is basking in another duration led rally catalysed by the fall in bond yields. We do not believe that both views can be held simultaneously for long. Our issue with the equity market's muscle memory is that given policymaker's battle with persistent inflation, you cannot have falling rates without a recession taking the heat out of the economy. We understand the logic that a lower discount rate makes future cash flows more valuable in the present, but we doubt that future cash flows will be unblemished in a tougher economic backdrop. Given this viewpoint, we continue to operate with a relatively modest exposure to risk assets (c 30% including equities and commodity exposure).

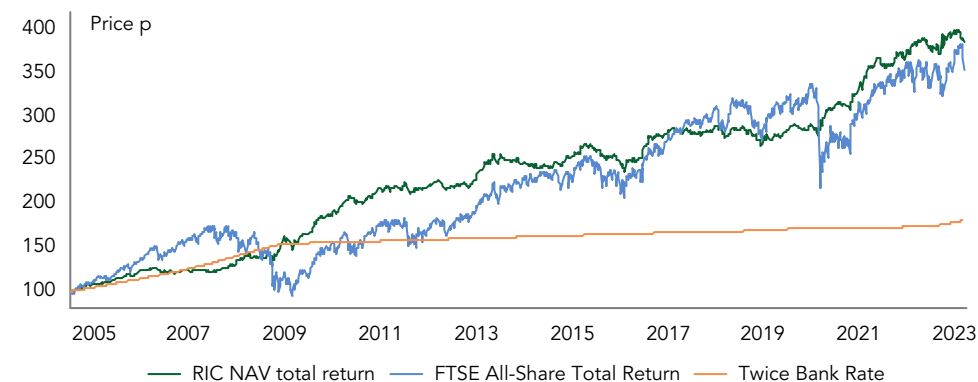
In 2022 investors were fixated on the rate of change of interest rates, however, we do not think financial markets are out of the woods even if policymakers appear to be reaching the final stages of their current rate hiking cycle. We operate in a financial system that has become accustomed to ever lower interest rates over the past four decades. The obvious outcome in such an environment is for leverage to increase – and increase it has. Whilst interest rates might have risen sharply over the last 12 months, the impact is not always felt instantaneously. As Warren Buffett once said, “only when the tide goes out do you learn who has been swimming naked”. A repricing of the cost of capital has already taken out the giddiest parts of the market but the longer rates are held at current levels, the further the pain is likely to spread.

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 31 March 2023	p
March 2023	0.6	-0.3	Share price	308.00
Year to date	-1.6	-1.1	Net Asset Value (NAV) per share	302.80
1 year	0.9	1.3		%
3 years	35.3	44.7	Premium/discount to NAV	1.7
5 years	40.2	40.4	NAV total return since inception ²	292.5
10 years	57.7	56.1	Standard deviation ³	1.85
			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 46.4p of dividends ³Monthly data (total return NAV)

12 month performance to March %	2019	2020	2021	2022	2023
RIC NAV total return	-0.6	4.3	22.7	9.2	0.9
FTSE All-Share Total Return	6.4	-18.5	26.7	13.0	2.9
Twice Bank Rate	1.3	1.4	0.2	0.4	4.7

Source: Ruffer LLP, FTSE International

Ruffer Investment Company Limited as at 31 Mar 2023

Asset allocation



Asset allocation	%
Short-dated bonds	29.0
Illiquid strategies and options	13.8
Non-UK index-linked	7.5
Long-dated index-linked gilts	7.4
Gold exposure and gold equities	7.0
Cash	2.2
Commodity exposure	9.2
UK equities	9.0
North America equities	5.3
Europe equities	3.2
Asia ex-Japan equities	3.0
Japan equities	3.0
Other equities	0.4

Currency allocation	%
Sterling	65.9
Yen	15.5
US dollar	6.6
Australian dollar	6.3
Euro	1.0
Other	4.7

Currency allocation



10 largest equity holdings*

Stock	% of fund
iShares MSCI EM Asia UCITS ETF	1.9
Shell	1.6
BP	1.3
Mitsubishi UFJ Financial Group	0.7
ORIX	0.6
ArcelorMittal	0.6
Taiwan Semiconductor Manufacturing Co	0.5
Alibaba Group ADR	0.5
Bayer AG	0.5
Fujitsu	0.5

5 largest bond holdings

Stock	% of fund
UK Treasury index-linked 0.125% 2073	3.9
US Treasury 0.625% TIPS 2026	3.9
US Treasury FRN 31 Oct 2024	3.9
Japanese govt bonds 0.005% 1 Jul 2024	3.1
Japanese govt bonds 0.005% 1 May 2024	3.1

*Excludes holdings in Ruffer funds

Source: Ruffer LLP.

Pie chart totals may not equal 100 due to rounding.

NAV £1,149.2m Market capitalisation £1,169.7m Shares in issue 379,767,764

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 30 June 2022

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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

Joined Ruffer in 2017, having graduated with a degree from Warwick Business School. She is a member of the CISI, following completion of the CISI Masters in Wealth Management. She has managed private client portfolios and now works with wealth managers and advisors as part of Ruffer's UK wholesale team. She is co-manager of one of Ruffer's flagship funds.



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Ruffer LLP

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