

Ruffer Investment Company Limited

An alternative to alternative asset management



May 2022 Issue 204

During May, the net asset value of the Company rose by 0.1%. This compared to the FTSE All-Share TR which rose by 0.7%.

Inflation concerns were overtaken by those of growing recession risk during the month and therefore our inflation sensitive gold exposure and index-linked gilt holdings cost the portfolio 0.7% and 2.0% respectively. Payer swaptions continued to play a vital role in hedging the portfolio interest rate exposure and contributed 0.7%. A significant positive performance contribution came from energy stocks (+0.6%).

The carnage in the long-dated inflation-linked bond market should not be understated. The 2073 index-linked bond is down 54% from its November 2021 all-time high, falling 22% in May alone. We have long called these assets the ‘crown jewels’ due to our conviction that they should provide the perfect protection against the world of financial repression we are entering. This remains the case but the sensitivity to rising rates we have warned about has now been felt. This illustrates the distinction we have been labouring; investing for inflation and investing for inflation volatility are not the same thing and conflating the two will be costly. Mr Market will make us crawl through fire for the gift of redemption and derivative protection via the unconventional toolkit remains essential to navigate choppy and dangerous markets. Inflation-linked bonds are now back to pre-Brexit prices - and yet in our assessment the likelihood and proximity of the inflationary denouement is much greater. We believe they offer exceptional asymmetry and we have been buying.

This month saw the UK chancellor impose a windfall tax on energy companies. Setting aside the dubious logic of windfall taxes, the reaction of the stocks was to rise. Ultimately, the setup for companies like BP and Shell is attractive because supply has been constrained due to a combination of a capital cycle and, lately, geopolitical sanctions. This energy crisis is a supply issue that requires supply side solutions. A windfall tax will do little to address the underlying problems, and will perpetuate the supply/demand mismatch which is creating their super-normal profits in the first place. However, crucially, it polls well at a time of popular unrest.

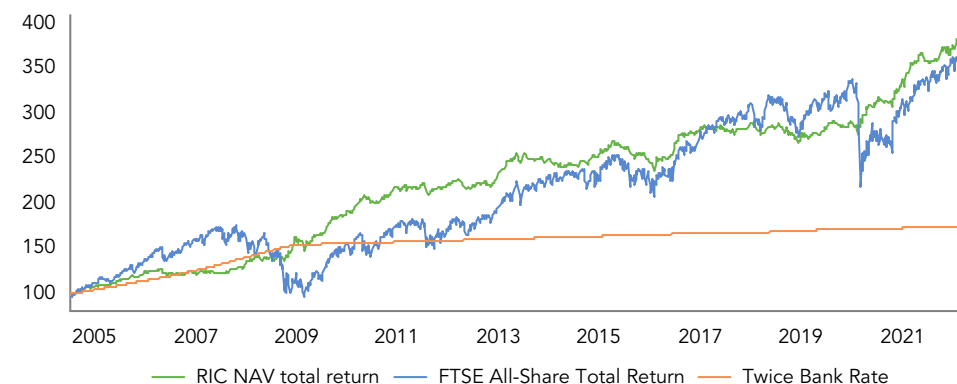
A key question for investors has been whether to buy the dip. The Nasdaq is down 29% from its November 2021 high but we are not convinced that value has emerged. We have only nibbled on equities, more in the pursuit of portfolio balance, than it is bullishness - adding to Japan, Meta and US Housebuilders. The bear market is only beginning to grizzle, the FTSE All-World TR is down only 6% this year. Given the cross-currents in markets and the economy, the short-term is foggy. We must not lose sight of the long-term inflationary dynamics that continue to build and risk eviscerating savers.

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 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 31 May 2022	p
May 2022	0.1	0.0	Share price	322.00
Year to date	4.7	9.3	Net Asset Value (NAV) per share	299.80
1 year	5.0	9.1		%
3 years	39.3	53.7	Premium/discount to NAV	7.4
5 years	35.8	40.6	NAV total return since inception ²	287.0
10 years	77.0	85.0	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 March %	2018	2019	2020	2021	2022
RIC NAV total return	-1.4	-0.6	4.3	22.7	9.2
FTSE All-Share Total Return	1.2	6.4	-18.5	26.7	13.0
Twice Bank Rate	0.7	1.3	1.3	0.2	0.2

Source: Ruffer LLP, FTSE International (FTSE) †

Ruffer Investment Company Limited as at 31 May 2022

Asset allocation



Asset allocation	%
● Illiquid strategies and options	14.6
● Gold exposure and gold equities	10.6
● Long-dated index-linked gilts	8.9
● Index-linked gilts	8.5
● Non-UK index-linked	6.4
● Cash	5.4
● Short-dated bonds	5.3
● Global funds	0.3
● UK equities	16.3
● North America equities	9.8
● Japan equities	7.6
● Europe equities	5.2
● Asia ex-Japan equities	0.6
● Other equities	0.6
Currency allocation	
● Sterling	68.9
● Yen	8.8
● Australian dollar	6.1
● US dollar	4.4
● Euro	4.4
● Other	7.4

Currency allocation



10 largest equity holdings*

Stock	% of fund
BP	3.2
Cigna	1.6
Vodafone Group	1.2
ORIX	1.0
Shell	1.0
Mitsubishi UFJ Financial Group	1.0
Volkswagen	0.9
GlaxoSmithKline	0.8
UniCredit	0.8
Meta Platforms	0.8

5 largest bond holdings

Stock	% of fund
US Treasury 0.625% TIPS 2023	5.3
UK Treasury index-linked 0.125% 2024	3.4
UK Treasury index-linked 1.875% 2022	3.2
UK Treasury index-linked 0.125% 2068	3.1
UK Treasury 0.125% 2073	2.1

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

NAV £912.9m Market capitalisation £980.5m Shares in issue 304,505,764

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

Hamish Baillie

INVESTMENT DIRECTOR

A graduate of Trinity College Dublin, he joined the Ruffer Group in 2002. Founded and manages the Edinburgh office of Ruffer LLP and is a director of Ruffer (Channel Islands) Limited. He is a member of the Chartered Institute for Securities & Investment.



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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