Ruffer Investment Company Limited

An alternative to alternative asset management

July 2023 **Issue 218**

The Federal Reserve, the IMF, the Bank of England and Goldman Sachs amongst others have moved their forecasts to suggest a soft landing, or no landing, is the most likely outcome for the global economy. A new, rosier narrative has emerged: that a recession will be avoided, and immaculate disinflation has been achieved vindicating market bulls and central bankers alike. The Nasdaq is up 37% year to date, performance to rival the dot.com boom.

This looks to us like a prime example of price action driving the narrative. Markets think a recession can be avoided because markets are going up. However, economic fundamentals continue to weaken with a reduced availability of credit, visible cracks in a previously strong labour market, and other key leading indicators such as manufacturing survey data are now in recessionary territory. Meanwhile, monetary conditions continue to tighten as global central banks raise rates and quantitative tightening (QT) continues apace. We believe that both the economy and financial ecosystem are conditioned to low interest rates and are incapable of enduring interest rates in excess of 5%.

At the same time, real yields are dramatically increasing – now as high as 3% on two year US inflation protected bonds. We have previously focused on the speed at which real yields have risen, as a guide to market fragility. This year real yields have risen slowly, but inexorably, and we think the second half of 2023 will be about discovering where the biting point is. If history is our guide, it is close.

In July, the rise in global real yields hurt inflation linked bonds. The mix of derivative protections were also a small drag. These were more than offset by our oil exposure, the biggest risk-on asset in the portfolio, which rose 14% in the month in response to further OPEC supply cuts.

On the penultimate day of the month the Bank of Japan ended their yield curve control policy. The news was met with a pop rather than a bang – the yen didn't move much. However, that pop was the starting pistol for something bigger. We have considerable exposure to the yen, directly and via derivatives, and believe these positions have a long way to run. The end of extreme monetary policy divergence, forcing all weakness through the currency, should see a material strengthening in the yen. Japanese government bond yields floating higher may be the final anchor to slip loose on global duration, which will have ripples across other capital markets.

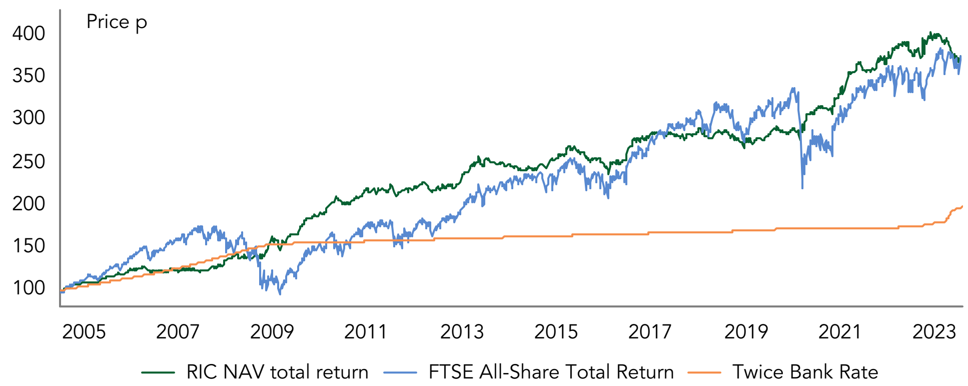
The surge in risk appetite from the presumed economic 'all clear' has allowed credit spreads to tighten, equity market puts have become cheaper still, and equity volatility (measured by the VIX) has now fallen back to pre-covid levels. Having cost the portfolio year to date, these protections are now highly attractive and, usually, tend to be most advantageous when nobody wants them.

The overarching message to our investors is that we have been here before, and that feeling uncomfortable is sometimes necessary for differentiated results. We retain a high level of conviction that the portfolio is correctly positioned given the environment we see and hope to deliver on the patience and faith shown in us by our investors this year.

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
July 2023	-0.1	0.9
Year to date	-6.8	-10.1
1 year	-2.4	-4.9
3 years	18.6	19.3
5 years	29.7	25.5
10 years	47.6	39.3

All figures in the above table are calculated on a total return basis (including reinvestment of income). If monthly performance is quoted in the commentary, it may be calculated on a price return basis and differ from the information in this table.

As at 31 July 2023	p
Share price	**278.50**
Net Asset Value (NAV) per share	**285.63**
	%
Premium/discount to NAV	-2.5
NAV total return since inception[2]	271.3
Standard deviation[3]	1.86
Maximum drawdown[3]	-8.62

[2]Including 46.4p of dividends [3]Monthly data (total return NAV)

12 month performance to June %	2019	2020	2021	2022	2023
RIC NAV total return	-0.9	10.1	15.3	6.0	-1.7
FTSE All-Share Total Return	0.6	-13.0	21.5	1.6	7.9
Twice Bank Rate	1.4	1.1	0.2	0.8	12.2

Source: Ruffer LLP, FTSE International

Ruffer Investment Company Limited as at 31 Jul 2023

NAV £1,095.5m Market capitalisation £1,068.1m Shares in issue 383,517,764

Asset allocation

Currency allocation

Asset allocation	%
Short-dated bonds	36.2
Illiquid strategies and options	14.8
Long-dated index-linked gilts	7.7
Cash	6.1
Non-UK index-linked	5.8
Gold exposure and gold equities	5.1
Index-linked gilts	1.8
Commodity exposure	8.0
UK equities	6.8
North America equities	3.3
Europe equities	2.5
Asia ex-Japan equities	1.2
Other equities	0.5

Currency allocation	%
Sterling	71.7
Yen	16.1
US dollar	5.5
Australian dollar	3.8
Euro	0.2
Other	2.7

10 largest equity holdings*

Stock	% of fund
Taiwan Semiconductor Manufacturing Co	0.6
Alibaba Group ADR	0.5
Ambev SA	0.5
BP	0.5
Bayer AG	0.5
Hipgnosis Songs Fund	0.4
Cigna	0.4
Amazon	0.3
Pioneer Natural Resources Company	0.3
Trident Royalties	0.3

5 largest bond holdings

Stock	% of fund
US Treasury FRN 31 Oct 2024	5.6
US Treasury FRN 31 Jan 2024	5.1
US Treasury FRN 31 Jul 2024	3.5
UK Treasury index-linked 0.125% 2073	3.4
Japan government 0.005% Aug 2024	3.3

*Excludes holdings in Ruffer funds

Source: Ruffer LLP.
Pie chart totals may not equal 100 due to rounding.

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	Apex Fund and Corporate 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

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

The Ruffer Group manages investments on a discretionary basis for private clients, trusts, charities and pension funds. As at 30 June 2023, assets managed by the Ruffer Group exceeded £24.6bn.