

Ruffer Investment Company Limited

An alternative to alternative asset management



January 2022 Issue 200

During January, the Company's NAV rose by 0.8%. This compared with a fall of 0.3% in the FTSE All-Share index.

Investors returned from the holiday period to face the prospect of much tighter financial conditions led by the US Federal Reserve. There are signs that higher inflation is embedding itself across the US economy, notably the labour market, and will not necessarily ease once supply chain disruptions abate. With interest rates close to zero and consumer price inflation at 7%, US policymakers are reacting to the realisation that conditions have been too accommodative for too long. Current expectations see four rate hikes in 2022, up from two at the turn of the year. Investors are forced to adapt to a world where the Fed now shows greater willingness to withstand financial market volatility in combatting inflation. The anticipation of rising rates provided a difficult backdrop for our inflation-linked bonds during the month, but this headwind was offset by the positive contribution from interest rate options. These options remain a key portfolio component and allow us to manage the Company's interest rate sensitivity in what we expect will be a volatile period for bond markets. The Company's duration remained close to zero as we ended the month.

Global equities offered little respite for investors, recording their worst monthly return (-4.5%) since March 2020. The declines were even greater for the technology focused Nasdaq composite (-9.0%), confirming our fears that the faster growing and more speculative parts of the equity market would be most acutely impacted by a rising cost of capital. Growing geopolitical tensions emanating from Russia and Ukraine did little to improve risk appetite. On a historical basis, inflation above 3% sees the correlation between bonds and equities turn positive and January provided a brief taste of the challenges conventional portfolios will encounter as monetary conditions tighten.

We are pleased to have delivered a positive return over the month when index level returns for both bonds and equities were negative. Despite the challenging backdrop, there were pockets of resilience as more cyclically exposed equities, which had been out of favour for much of the last decade, returned to prominence. Our equities, which are heavily tilted to this part of the market, contributed a positive return over the month. The most significant drivers of performance were the energy majors, which continued to rally as oil prices reached a seven year high. Demand remains strong and supply constrained, supporting our continued exposure across the energy sector. Elsewhere, bank stocks benefited from the rise in yields, supporting their position as an offset to the inflation-linked bonds. We resisted the urge to add meaningfully to equities during the recent weakness and instead maintain the current exposure at just below 40%.

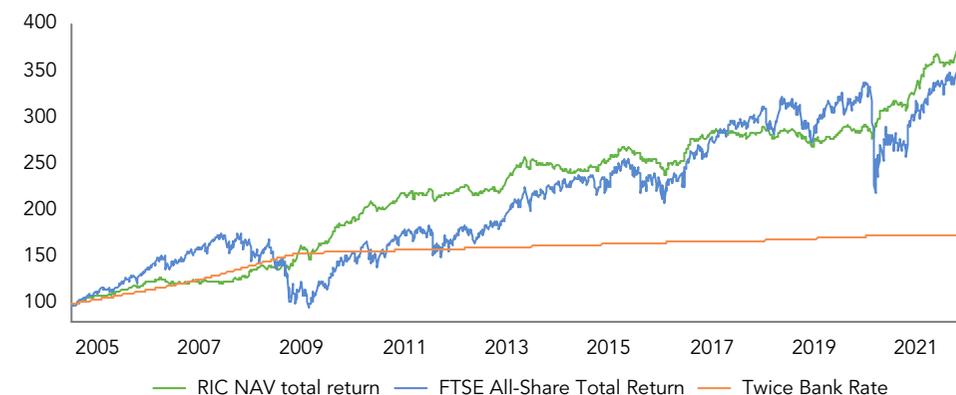
The Federal Reserve may be the first mover, but the current inflationary pressures are not confined to the US. Other central banks will face pressures to join them in attempting to remove the stimulus punchbowl. The coming interest rate cycle is unlikely to be as well choreographed or as smooth as the last, resulting in continued uncertainty and a testing time for financial assets. We believe we have the right toolkit to survive and perhaps thrive in this environment.

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 January 2022	p
January 2022	0.8	2.2	Share price	300.00
Year to date	0.8	2.2	Net Asset Value (NAV) per share	289.95
1 year	12.4	13.1		%
3 years	33.5	43.0	Premium/discount to NAV	1.8
5 years	30.3	32.4	NAV total return since inception ²	272.4
10 years	68.0	68.1	Standard deviation ³	1.88
			Maximum drawdown ³	-8.62

Performance calculated on a total return basis (including reinvestment of income)
²Including 42.3p of dividends ³Monthly data (total return NAV)

12 month performance to December %	2017	2018	2019	2020	2021
RIC NAV total return	1.6	-6.0	8.4	13.5	11.4
FTSE All-Share Total Return	13.1	-9.5	19.2	-9.8	18.3
Twice Bank Rate	0.6	1.2	1.3	0.4	0.1

Source: Ruffer LLP, FTSE International (FTSE) †

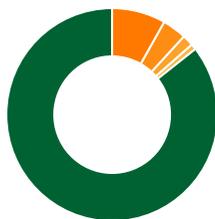
Ruffer Investment Company Limited as at 31 Jan 2022

Asset allocation



Asset allocation	%
Cash	14.9
Long-dated index-linked gilts	11.2
Index-linked gilts	10.4
Non-UK index-linked	8.1
Gold exposure and gold equities	7.1
Illiquid strategies and options	6.7
Short-dated bonds	2.8
UK equities	17.8
North America equities	8.2
Japan equities	6.8
Europe equities	4.6
Asia ex-Japan equities	0.2
Other equities	1.0
Currency allocation	
Sterling	85.5
Yen	8.0
US dollar	1.7
Euro	0.7
Other	4.0

Currency allocation



10 largest equity holdings*

Stock	% of fund
Royal Dutch Shell	2.6
BP	2.1
Lloyds Banking Group	2.0
Cigna	1.4
Mitsubishi UFJ Financial Group	1.2
NatWest Group	1.0
Bristol-Myers Squibb	1.0
GlaxoSmithKline	1.0
iShares Physical Gold	1.0
ORIX Corporation	0.9

5 largest bond holdings

Stock	% of fund
UK Treasury index-linked 0.125% 2068	4.9
UK Treasury index-linked 0.125% 2024	4.5
US Treasury 0.625% TIPS 2023	4.2
UK Treasury index-linked 1.875% 2022	3.7
UK Treasury index-linked 0.125% 2065	3.2

*Excludes holdings in pooled funds

Source: Ruffer LLP.

Pie chart totals may not equal 100 due to rounding.

NAV £742.6m Market capitalisation £768.4m Shares in issue 256,125,637

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 Group Plc		
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 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 Glasgow University School of Law in 2007 and spent four years working at Barclays in Glasgow, London and Singapore. He is a CFA charterholder and is co-manager of Ruffer Investment Company.



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Enquiries

Ruffer AIFM Ltd	+44 (0)20 7963 8254
80 Victoria Street	rif@ruffer.co.uk
London SW1E 5JL	www.ruffer.co.uk

Ruffer LLP

The Ruffer Group manages investments on a discretionary basis for private clients, trusts, charities and pension funds. As at 31 December 2021, assets managed by the group exceeded £24.0bn.