

Ruffer Investment Company Limited

An alternative to alternative asset management



September 2021 Issue 196

During September, the share price rose by 0.2% and the NAV rose by 0.9%. This compared with a fall of 1.0% in the FTSE All-Share index. The Company declared a dividend of 1.55p on 5 October. This represents a 63% increase on last year's dividend. A significant part of the uplift relates to a one-off payout from a portfolio holding. The Company's directors remain committed to paying out at least 85% of revenue earned rather than targeting a specific yield and so investors should expect the level of the dividend to fluctuate over time.

'Transitory' or not, price rises (aka inflation) are certainly starting to have an impact on both financial markets and everyday life. Amidst pictures of queues at petrol stations reminiscent of the 1970s as well as global concerns over possible shortages and supply chain disruption, stock and bond markets both lost ground in September. Bond yields rose as inflation concerns led to talk of tapering and earlier than expected interest rises. Meanwhile equities, especially growth and tech stocks, fell back, with the Nasdaq down 5.3% in the month, dragging down the broader US market by 4.7%. Although some of the price rises this month were eye-watering (the oil price up 10%, natural gas prices up more than 90%) inflation worries were not the only concern for equity markets. The likely demise of the giant Chinese property developer Evergrande added contagion risks to previous fears of a clampdown by the Chinese government.

Against this somewhat unsettling background, the Company's performance was robust, remaining broadly unchanged even as bond and equity markets fell. Higher bond yields hurt our index-linked bonds, but as was the case in Q1 this year interest rate options offset much of the fall. On the equity side, rising yields were supportive for our bank positions and not surprisingly energy stocks performed strongly with holdings in BP, Equinor and Royal Dutch Shell up 15-20%. No doubt investors will be laser-focused on both inflation and the outlook for China.

However, for us the key observation from September is that 'balanced' portfolios had their worst month since March 2020, when global markets first felt the full brunt of the covid-19 pandemic. Back then, the 60% equity and 40% conventional bond mix that has been so popular and so successful in recent years fell 5% in a month. This time the US version fell 3.5%. Small beer perhaps after gains averaging 10% for a decade, but a worrying sign nonetheless.

We have long warned that higher inflation, or even just inflation volatility, could see a shift in the correlation between equities and bonds. This would merely be a reversion to the normal pattern before the decades of disinflation and falling interest rates since the 1980s. If so, portfolios would no longer be able to rely on rising bond prices (via falling interest rates) to soften the pain of equity market falls. In fact, the opposite could be true with falling bond prices exacerbating future equity market sell-offs. The Company holds inflation-linked bonds and other less conventional protections to guard against exactly such a situation. Last month, at least, this approach worked. We will wait to see if this too was just transitory.

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 30 September 2021	p
September 2021	0.9	0.2	Share price	291.00
Year to date	9.1	10.3	Net Asset Value (NAV) per share	283.24
1 year	15.4	19.9		%
3 years	26.9	28.2	Premium/discount to NAV	2.4
5 years	30.9	31.5	NAV total return since inception ²	261.8
10 years	66.0	65.9	Standard deviation ³	1.89
			Maximum drawdown ³	-8.62

Performance calculated on a total return basis (including reinvestment of income)
²Including 40.9p of dividends ³Monthly data (total return NAV)

12 month performance to September %	2017	2018	2019	2020	2021
RIC NAV total return	1.6	1.5	1.5	8.2	15.4
FTSE All-Share Total Return	11.9	5.9	2.7	-16.6	27.9
Twice Bank Rate	0.5	1.0	1.4	0.8	0.1

Source: Ruffer LLP, FTSE International (FTSE) †

Ruffer Investment Company Limited as at 30 Sep 2021

Asset allocation



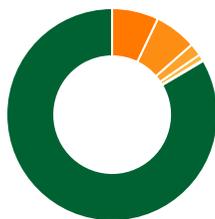
Asset allocation

	%
Index-linked gilts	12.7
Long-dated index-linked gilts	11.0
Non-UK index-linked	8.3
Illiquid strategies and options	7.2
Gold and gold equities	6.9
Cash	6.1
Short-dated bonds	3.2
UK equities	22.4
Japan equities	8.2
Europe equities	6.1
North America equities	6.0
Asia ex-Japan equities	0.5
Other equities	1.2

Currency allocation

	%
Sterling	83.4
Gold	7.1
Yen	6.3
US dollar	0.8
Euro	0.2
Other	2.2

Currency allocation



10 largest equity holdings*

Stock	% of fund
Royal Dutch Shell	2.8
BP	2.8
Lloyds Banking Group	2.4
NatWest Group	1.6
iShares Physical Gold	1.4
Cigna	1.4
Mitsubishi UFJ Financial Group	1.3
GlaxoSmithKline	1.2
Equinor	1.1
Kinross Gold	1.1

5 largest bond holdings

Stock	% of fund
UK Treasury index-linked 0.125% 2068	5.5
UK Treasury index-linked 1.875% 2022	5.3
0.125% Treasury index-linked 2024	4.9
US Treasury 0.625% TIPS 2023	4.7
UK Treasury index-linked 0.125% 2065	3.4

*Excludes holdings in pooled funds

Source: Ruffer LLP.

Pie chart totals may not equal 100 due to rounding.

NAV £618.6m Market capitalisation £636.3m Shares in issue 218,413,416

Company information

Annual management charge (no performance fee)	1.0%		
Ongoing Charges Ratio*	1.08%		
Ex dividend dates	March, September		
NAV valuation point	Weekly, every Tuesday and the last business day of the month		
Stock ticker	RICA LN		
ISIN	GB00B018CS46	SEDOL	B018CS4
Administrator	Praxis Fund Services 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 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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Ruffer LLP

The Ruffer Group manages investments on a discretionary basis for private clients, trusts, charities and pension funds. As at 31 August 2021, assets managed by the group exceeded £22.9bn.