Ruffer Investment Company Limited

An alternative to alternative asset management

August 2023 **Issue 219**

Higher global yields and fears about slowing economic growth in Europe and China saw the major bond and equity markets decline in August. The fund retreated, too, as market declines were not sharp or deep enough to trigger our potent derivative protections.

No single factor drove global yields higher. Instead, a smorgasbord of drivers included: 'higher for longer' interest rate policies amidst persistent inflation; heavy planned US Treasury issuance; robust US economic data; and Fitch's US government credit rating downgrade, which highlighted the scale of the Federal deficit – already a whopping 6.5%, with full employment! The fund's long-dated UK and US inflation-protected bonds suffered from the rise in yields. These should rally in the event of recession.

In Europe, flash PMIs (economic outlook indicators) pointed to a sharp contraction. Meanwhile, China's re-opening is spluttering. Its c $60tn property market is reeling after years of regulatory pressure, deteriorating demography, shaken household confidence and a broken Ponzi-esque funding model. Piecemeal stimulus measures from Beijing have so far failed to reassure investors, but there's little in the price for good news. We believe fatter market tail risks from China's economy – and politics – will remain with us for years to come. Expect surprises.

China stocks aside, equity markets' August retreat was relatively orderly. An uneventful earnings season plus a lack of policy or inflation shocks has kept volatility ('vol') in markets low. That has kept the vol-targeting machine-led investment strategies – so powerful in today's markets – invested. The fund's small equity allocation retreated with indices but, given the steady nature of the market decline, our derivatives have yet to kick in, so were a small performance drag. The same goes for our c 16% position in the yen, which declined modestly despite the Bank of Japan's relaxation of yield curve control in July. Just like the derivatives, a significant market shock could see dramatic yen appreciation. Our c 8% oil position was the primary positive contributor, helped by continued OPEC supply-side discipline.

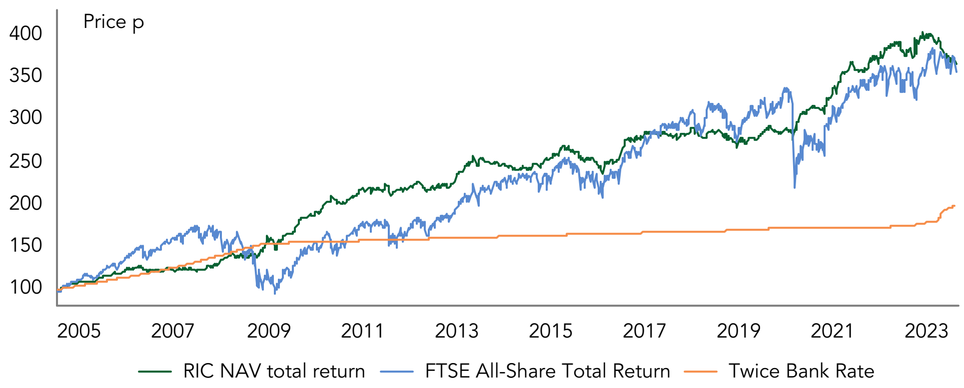
Markets still believe in a 'soft landing' – inflation dissipates without a recession. Yet we stick to our increasingly unfashionable belief that record monetary tightening's full impact has yet to be felt. Locked-in low rates and faster nominal GDP growth have likely deferred – but not de-fanged – the biting point. Even America's remarkably robust economy is displaying cracks. Covid-era excess savings have been spent; consumer confidence is slowing; Q2 GDP growth and recent payrolls were revised lower; US department stores are reporting rising credit card delinquencies.

Central banks could soon find themselves in a much trickier situation as inflation 'base effects' and (now rising) energy prices switch from being disinflationary tailwinds to inflationary ones. If economies continue to slow, this could raise recession risk by forcing central banks to stay inappropriately tight. But if economies reaccelerate – especially in the US – it raises the spectre of a second inflationary wave, with further rate hikes. From our derivatives to dollars, yen to bonds, the fund remains well-positioned for the reassertion of gravity in financial markets, and the opportunities that will lie beyond.

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
August 2023	-0.9	-3.4
Year to date	-7.7	-13.1
1 year	-3.8	-10.2
3 years	17.8	15.7
5 years	30.0	20.7
10 years	47.5	36.8

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 August 2023	p
Share price	**269.00**
Net Asset Value (NAV) per share	**283.00**
	%
Premium/discount to NAV	-5.0
NAV total return since inception[2]	267.9
Standard deviation[3]	1.85
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 Aug 2023

NAV £1,084.9m Market capitalisation £1,032.1m Shares in issue 383,667,764

Asset allocation

Currency allocation

Asset allocation	%
Short-dated bonds	40.2
Illiquid strategies and options	14.5
Long-dated index-linked gilts	7.3
Non-UK index-linked	5.5
Gold exposure and gold equities	5.1
Cash	3.3
Index-linked gilts	1.8
Commodity exposure	8.1
UK equities	6.6
North America equities	3.6
Europe equities	2.3
Asia ex-Japan equities	1.2
Other equities	0.5

Currency allocation	%
Sterling	67.7
Yen	16.2
US dollar	9.3
Australian dollar	3.7
Euro	0.4
Other	2.7

10 largest equity holdings*

Stock	% of fund
Taiwan Semiconductor Manufacturing Co	0.5
BP	0.5
Ambev SA	0.5
Alibaba Group ADR	0.5
Bayer AG	0.5
Hipgnosis Songs Fund	0.4
Pioneer Natural Resources Company	0.3
Amazon	0.3
Cigna	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	3.2
Japan government 0.005% Aug 2024	3.2

*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

Enquiries

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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.

Ruffer LLP

The Ruffer Group manages investments on a discretionary basis for private clients, trusts, charities and pension funds. As at 31 July 2023, assets managed by the Ruffer Group exceeded £24.7bn.