

# 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 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 | As at 31 January 2022                         | p             |
|---------------|-----------------|-------------|---|---------------|
| January 2022  | 0.8             | 2.4         | <b>Share price</b>                            | <b>300.00</b> |
| Year to date  | 0.8             | 2.4         | <b>Net Asset Value (NAV) per share</b>        | <b>289.95</b> |
| 1 year        | 13.0            | 13.1        |   | %             |
| 3 years       | 34.3            | 45.3        | Premium/discount to NAV                       | 3.4           |
| 5 years       | 31.1            | 32.9        | NAV total return since inception <sup>2</sup> | 274.7         |
| 10 years      | 69.0            | 68.5        | Standard deviation <sup>3</sup>               | 1.86          |
|               |                 |             | Maximum drawdown <sup>3</sup>                 | -8.62         |

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.

<sup>2</sup>Including 42.3p of dividends <sup>3</sup>Monthly 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 | 12.0 |
| FTSE All-Share Total Return        | 13.1 | -9.5 | 19.2 | -9.8 | 18.3 |
| Twice Bank Rate                    | 0.6  | 1.2  | 1.5  | 0.5  | 0.2  |

Source: Ruffer LLP, FTSE International

The financial effects of the Company's formal equity fundraising in November 2021 were not accurately reflected in performance calculations, leading to past performance figures being understated by a non-material amount in the Company's interim, annual and monthly reports published between December 2021 and April 2023. The performance methodology has been updated to amend this error and past performance figures in this report are correct.

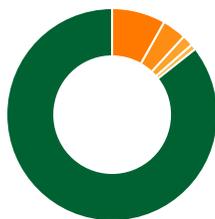
# Ruffer Investment Company Limited as at 31 Jan 2022

## 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.

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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 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.



## 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.