

Ruffer Investment Company Limited

An alternative to alternative asset management



January 2020 Issue 176

During January, the net asset value of the Company fell by 2.2%. This compares with a fall of 3.3% in the FTSE All-Share index.

We wrote last month how markets have seemingly become immune to negative news. This continued as 2020 began. The US assassination of Qassem Soleimani, a top general in the Iranian Revolutionary Guard, brought only a temporary hiccup. Despite the clear increase in geopolitical tensions, within days stock markets had recovered, the price of oil had retreated to its pre-attack levels and gold had fallen back to \$1,550. It would seem that the current administration in the United States is rewriting the rules that markets have known and evidently enjoyed for the past decades, yet investors remain unmoved.

Why did equity markets not flinch? Partial, if not full, responsibility, must reside with the actions of global central banks. Overwhelming any geopolitical fears was the support provided by the US Federal Reserve over the year end. They insist that this is 'not QE' but it looks a lot like it. These moves allowed strategists to draw similarities with the Fed's actions around the turn of the millennium. Therefore, the logic goes, there is more to come from October to December's stock market rally. Hopefully, we at Ruffer aren't the only ones who remember how that particular top ended.

These dynamics held until the last few days of January when suddenly there was one news event markets decided not to ignore. We are no epidemiologists but can see how the shutdown of factories, the hit to travel and tourism and the damage to already fragile global trade, might hinder the upward march of stocks. The rise in equity markets last year was driven almost exclusively by valuation expansion and came despite falling economic expectations and stalling profits. Further progress this year probably requires some form of earnings growth, something which may now be under threat, and when equity markets are priced for near perfection, vulnerabilities inevitably arise.

The authorities may or may not bring the virus under control and this may be another example of bad news that markets can look through. We at Ruffer do not try to pick the moment when bull markets end, in fact quite the opposite. By creating a portfolio split between growth and protection assets we try to remove as much timing from the equation as possible. If these worries blow over, our equities, focussed on the UK and Japan, are capable of driving decent returns as evidenced by the 8.5% outturn for 2019. If this is the moment when protection needs to take over, we are confident that our credit and volatility protections stand ready to act.

On Thursday 27 February at 11:00am we will be holding our bi-annual shareholder update. This time around it will take the form of a webinar focussing on the investment strategy and outlook. If you would like to dial in then please contact investorday@ruffer.co.uk In the autumn the event will take place in Ruffer's London office and the directors of Ruffer Investment Company will be present and available to take questions from shareholders.

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 %	January 2020	Year to date	1 year	3 years	5 years	10 years
Total return NAV	-2.2	-2.2	2.4	0.0	9.9	50.8
Share price TR ¹	-2.6	-2.6	3.4	-4.2	6.1	40.7

¹Assumes re-investment of dividends

Percentage growth in total return NAV	%	As at 31 January 2020	p
31 Dec 2018 – 31 Dec 2019	8.4	Share price	219.00
31 Dec 2017 – 31 Dec 2018	-6.0	Net Asset Value (NAV) per share	226.23
31 Dec 2016 – 31 Dec 2017	1.6	Premium/discount to NAV	-3.2
31 Dec 2015 – 31 Dec 2016	12.4	NAV total return since inception ²	187.4
31 Dec 2014 – 31 Dec 2015	-1.0	Standard deviation ³	1.82
		Maximum drawdown ³	-8.62

Source: Ruffer LLP, FTSE International (FTSE) †

²Including 38.1p of dividends ³Monthly data (total return NAV)

Ruffer Investment Company Limited as at 31 Jan 2020

Asset allocation



Asset allocation %

Non-UK index-linked	21.0
Long-dated index-linked gilts	9.1
Cash	8.3
Gold and gold equities	7.6
Illiquid strategies and options	6.8
Short-dated bonds	3.7
Index-linked gilts	0.6

Currency allocation



Currency allocation %

Sterling	78.8
Yen	10.5
Gold	7.6
Euro	1.7
US dollar	0.2
Other	1.2

10 largest equity holdings*

Stock	% of fund
Lloyds Banking Group	2.8
Walt Disney Company	2.4
Tesco	2.2
Sony	1.6
Royal Bank of Scotland	1.4
General Motors	1.4
Fujitsu	1.2
Ocado	1.2
Nomura Real Estate	1.1
International Consolidated Airlines	1.1

5 largest bond holdings

Stock	% of fund
UK Treasury index-linked 0.125% 2068	4.8
US Treasury 0.625% TIPS 2021	4.8
UK Treasury index-linked 0.375% 2062	4.3
US Treasury 0.125% TIPS 2021	4.0
US Treasury 0.125% TIPS 2020	3.7

*Excludes holdings in pooled funds
Source: Ruffer LLP.
Pie chart totals may not equal 100 due to rounding.

NAV £409.1m Market capitalisation £395.9m Shares in issue 180,788,420

Company information

Annual management charge (no performance fee)	1.0%
Ongong Charges Figure*	1.13%
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
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 June 2019

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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 Wealth and Barclays Capital in Glasgow, London and Singapore. Duncan is a CFA charterholder.



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The fund data displayed is designed only to provide summary information and the report does not explain the risks involved in investing in the fund. Any decision to invest must be based solely on the information contained in the Prospectus and the latest report and accounts. The Key Information Document is provided in English and available on request or from www.ruffer.co.uk.

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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 December 2019, assets managed by the group exceeded £19.8bn.