

# Ruffer Investment Company Limited

An alternative to alternative asset management



March 2020 Issue 178

During March, the net asset value of the Company rose by 4.2% after allowing for the dividend of 0.95p paid during the month. This compares with a fall of 15.1% in the FTSE All-Share index.

Lenin mused that ‘there are decades where nothing happens; and there are weeks where decades happen’. March had four such weeks. COVID-19 scythed through Europe and the US whilst rolling shutdowns created the worst ever peacetime output collapse. Unprecedented economic uncertainty, intensified by a Russia-Saudi oil war, drove market volatility unseen since the Great Depression. March marked the end of history’s longest US equity bull market with the fastest ever decline into a bear market from an all time high and the largest one day falls in major indices since 1987.

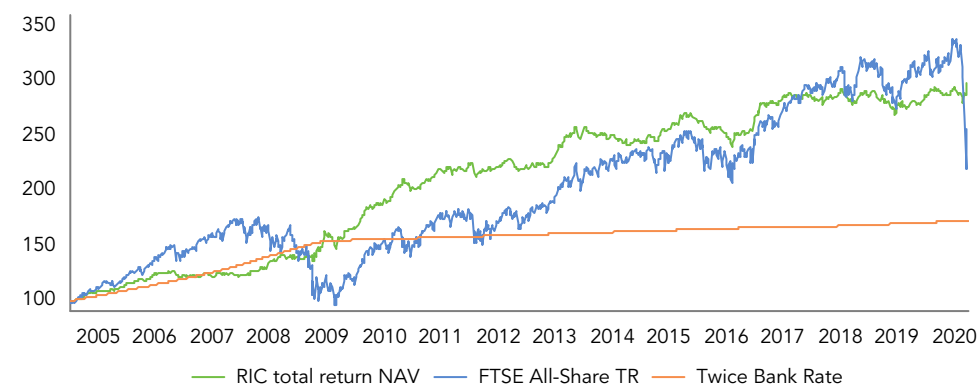
The Company’s derivative protections proved critical, blunting equity losses: we sold the VIX calls (adding +3.0% for the Company during March) and (most) equity put options (+1.7%); credit spreads blew out in Europe and the US lifting our credit protections (+5.8%). These fell back as the US Federal Reserve waded into corporate bond markets, but credit remains exposed and the focus of our remaining alternative protections. Traditional safe haven assets proved flakier friends. Gold and gold mining equities fell with stocks as many investors sold what they could, not what they wanted to. By contrast, capital preservation has allowed us to acquire mispriced assets amidst the volatility including gold mining equities; fixed income gyrations allowed us to add long-dated US TIPS (+20% in USD since purchase) at attractive yields. The Fed and fellow central banks need to anchor yield curves to reduce real rates of borrowing to make the debt splurge affordable. Given the ‘wartime’ scale of economic dislocation, actual fiscal stimulus required will likely far exceed that already declared.

Yet ‘buy the dip’ remains a powerful instinct. Is proposed stimulus enough to allow markets to stabilise, ‘looking through’ to a post-virus era? With the depth and duration of record economic disruption unknowable but increasingly visible, and in the absence of a magic bullet (eg vaccine), further volatility is likely and risks accelerating an investor preference for liquidity. Should markets sustain a rally, long TIPS and gold mining equities mean that the Company’s ‘risk’ assets are materially higher than the c 28% equity weight suggests. Central banks are throwing the kitchen sink at the crisis, but their omnipotence is another COVID-19 victim. On Sunday 15 March, the Fed cut rates to zero and unleashed massive quantitative easing. Markets fell sharply the following day, the third ‘black’ day this month. This was the Fed’s ‘emperor has no clothes’ moment, and signalled the end of the post-1987 ‘Greenspan put’ era, where monetary easing alone repeatedly bailed out fragile markets and economies. Exhausted monetary policy is impotent in the face of the massive real economy shock facing us, and markets know it. Game-changing ‘helicopter money’ – central bank financing of fiscal stimulus for the real economy – has arrived. Our bet remains that deeper financial repression will result, with inflation-linked bonds and gold the key defences.

## 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 %               | March 2020 | Year to date | 1 year | 3 years | 5 years | 10 years |
|-----------------------------|------------|--------------|--------|---------|---------|----------|
| Total return NAV            | 4.2        | -0.7         | 4.3    | 2.3     | 9.7     | 43.9     |
| Share price TR <sup>1</sup> | 3.5        | -3.4         | 1.5    | -5.5    | 3.3     | 33.0     |

<sup>1</sup>Assumes re-investment of dividends

| Percentage growth in total return NAV | %    | As at 31 March 2020                           | p      |
|---------------------------------------|------|---|--------|
| 31 Mar 2019 – 31 Mar 2020             | 4.3  | Share price                                   | 215.00 |
| 31 Mar 2018 – 31 Mar 2019             | -0.6 | Net Asset Value (NAV) per share               | 228.79 |
| 31 Mar 2017 – 31 Mar 2018             | -1.4 | Premium/discount to NAV                       | -6.0   |
| 31 Mar 2016 – 31 Mar 2017             | 12.8 | NAV total return since inception <sup>2</sup> | 191.9  |
| 31 Mar 2015 – 31 Mar 2016             | -4.9 | Standard deviation <sup>3</sup>               | 1.85   |
|                                       |      | Maximum drawdown <sup>3</sup>                 | -8.62  |

Source: Ruffer LLP, FTSE International (FTSE) †

<sup>2</sup>Including 39.0p of dividends <sup>3</sup>Monthly data (total return NAV)

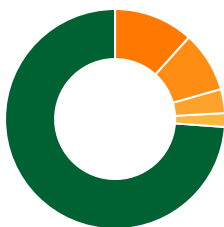
# Ruffer Investment Company Limited as at 31 Mar 2020

NAV £413.6m Market capitalisation £388.7m Shares in issue 180,788,420

## Asset allocation



## Currency allocation



### Asset allocation %

|                                 |      |
|---------------------------------|------|
| Non-UK index-linked             | 22.5 |
| Illiquid strategies and options | 20.9 |
| Cash                            | 8.9  |
| Long-dated index-linked gilts   | 8.7  |
| Gold and gold equities          | 7.9  |
| Index-linked gilts              | 0.6  |
| UK equities                     | 14.0 |
| Japan equities                  | 8.0  |
| North America equities          | 6.5  |
| Europe equities                 | 1.8  |
| Asia ex-Japan equities          | 0.2  |

### Currency allocation %

|           |      |
|-----------|------|
| Sterling  | 73.9 |
| Yen       | 11.8 |
| Gold      | 8.8  |
| US dollar | 3.7  |
| Euro      | 2.0  |

## 10 largest equity holdings\*

| Stock                | % of fund |
|----------------------|-----------|
| Tesco                | 2.0       |
| Lloyds Banking Group | 1.8       |
| Walt Disney Company  | 1.5       |
| Cigna Corporation    | 1.3       |
| Centene Corporation  | 1.3       |
| Sony                 | 1.1       |
| Newmont Mining       | 1.1       |
| Ocado                | 1.0       |
| IamGold              | 1.0       |
| Fujitsu              | 0.9       |

## 5 largest of bond holdings

| Stock                                | % of fund |
|--------------------------------------|-----------|
| US Treasury 1.75% TIPS 2028          | 6.1       |
| UK Treasury index-linked 0.125% 2068 | 4.6       |
| UK Treasury index-linked 0.375% 2062 | 4.1       |
| US Treasury 0.625% TIPS 2043         | 3.7       |
| US Treasury 0.75% TIPS 2045          | 3.5       |

\*Excludes holdings in pooled funds

Source: Ruffer LLP.

Pie chart totals may not equal 100 due to rounding.

## Company information

|   |  |
|---|--|
| Annual management charge (no performance fee) | 1.0%   |
| Ongiong Charges Figure*                       | 1.07%  |
| 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              |

\* As at December 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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## Enquiries

|                    |  |
|--------------------|--|
| Ruffer AIFM Ltd    | +44 (0)20 7963 8254                                    |
| 80 Victoria Street | <a href="mailto:rif@ruffer.co.uk">rif@ruffer.co.uk</a> |
| London SW1E 5JL    | <a href="http://www.ruffer.co.uk">www.ruffer.co.uk</a> |

## Ruffer LLP

The Ruffer Group manages investments on a discretionary basis for private clients, trusts, charities and pension funds. As at 29 February 2020, assets managed by the group exceeded £19.1bn.