

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.

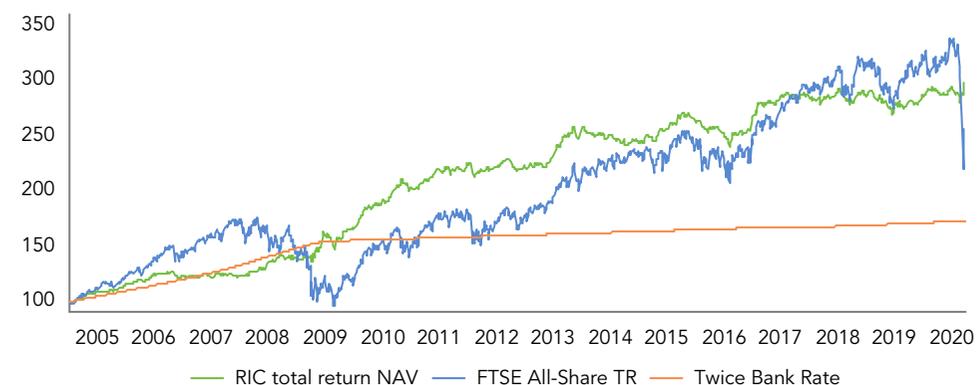
The Company’s derivative protections proved critical, blunting equity losses: we sold the VIX calls (adding +3.0% for the Company during March) and (most) equity put options (+1.7%); credit spreads blew out in Europe and the US lifting our credit protections (+5.8%). These fell back as the US Federal 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 ¹	3.5	-3.4	1.5	-5.5	3.3	33.0

¹Assumes 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 ²	191.9
31 Mar 2015 – 31 Mar 2016	-4.9	Standard deviation ³	1.85
		Maximum drawdown ³	-8.62

Source: Ruffer LLP, FTSE International (FTSE) †

²Including 39.0p of dividends ³Monthly data (total return NAV)

Ruffer Investment Company Limited as at 31 Mar 2020

Asset 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

Currency allocation



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.

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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.

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

Company information

Annual management charge (no performance fee)	1.0%
Ongoing 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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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.