

# Ruffer Investment Company Limited

An alternative to alternative asset management



July 2020 Issue 182

During July, the net asset value of the Company rose by 1.1%. This compares with a fall of 3.6% in the FTSE All-Share index. Year to date we are up 7.9%.

The political, economic, and societal crises rumble on. We are past the acute phase, but sticking plasters mask the extent of any chronic damage. However, Sleeping Beauty awaking from her slumber and perusing a copy of the Financial Times, might ask what all the fuss is about? Many markets have fully recovered. US stocks, sovereign bonds and investment grade credit are all now up on the year.

Unsurprisingly, this has led to discussion of whether or not there is a 'disconnect' between the stock market and the economy. Bulls would say the market has been rational through this period, as it draws a clear distinction between the best and the worst companies. Companies with pristine balance sheets are at all time highs, those with weak balance sheets remain in the doldrums. Furthermore, the winning stocks are the ones which have benefitted from lockdown, the digital economy leaders and the predictable or subscription business models like Amazon, Peloton or Ocado (our biggest individual winner year to date). But we must consider what this is telling us.

What this implies is that investors are certain there will be no return to perceived normality. If the market and the economy are going to come roaring back to normal in a 'v' recovery, it's unlikely to be Clorox (who make sanitiser) or Zoom who benefit most.

We think if you want to play economic recovery, these are precisely the wrong sort of stocks to be in. These companies have become the new defensive assets – where investors go to feel safe. They have been highly correlated with bonds and gold. So for our equities, we are focusing more on recovery – we want to be in Walt Disney, who can re-open their theme parks, or Vinci, who operate French toll roads.

Remember that, if GDP growth picks up, the valuation premium granted to secure growth stocks becomes unwarranted. If GDP growth does not pick up, then the economy is stuck in an extended slump and equities are probably the wrong asset class entirely. The latter scenario is where our portfolio protections would come into play – and we are beginning to dial these back up.

Meanwhile, the most important driver of markets in July was the emergence of US dollar weakness. The dollar index weakened by 4%, providing some support to reflation and recovery. The US has converged with the rest of the world at the zero lower bound and Chairman Powell has confirmed they are 'not even thinking about thinking about raising rates'.

So perhaps it is not surprising that towards the end of the month gold soared to an all-time high. Silver posted its strongest month on record. After adding to our precious metal positions in March, these have been big contributors to our portfolio over the last few months (adding 1.5% in July alone). The LF Ruffer Gold Fund is up 74% for 2020. We have trimmed these equities a little, but continue to run a large exposure at around 10% of the portfolio.

Our shareholder webinar is on 17 September. Please email [events@ruffer.co.uk](mailto:events@ruffer.co.uk) for details.

## 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 %	July 2020	Year to date	1 year	3 years	5 years	10 years
Total return NAV	1.1	7.9	8.9	12.2	19.8	56.1
Share price TR <sup>1</sup>	-0.1	7.6	9.2	7.9	15.1	44.1

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

Percentage growth in total return NAV	%	As at 31 July 2020	p
30 Jun 2019 – 30 Jun 2020	10.1	Share price	241.00
30 Jun 2018 – 30 Jun 2019	-0.9	Net Asset Value (NAV) per share	248.59
30 Jun 2017 – 30 Jun 2018	0.8	Premium/discount to NAV	-3.1
30 Jun 2016 – 30 Jun 2017	8.8	NAV total return since inception <sup>2</sup>	215.0
30 Jun 2015 – 30 Jun 2016	-1.0	Standard deviation <sup>3</sup>	1.87
		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 Jul 2020

## Asset allocation



### Asset allocation

	%
Non-UK index-linked	19.0
Cash	12.8
Illiquid strategies and options	11.6
Gold and gold equities	10.9
Long-dated index-linked gilts	10.1
Index-linked gilts	4.9
UK equities	12.4
Japan equities	6.8
North America equities	6.0
Europe equities	3.5
Asia ex-Japan equities	0.6

### Currency allocation

	%
Sterling	76.5
Gold	10.9
US dollar	7.3
Yen	2.9
Euro	2.1
Other	0.3

## Currency allocation



## 10 largest equity holdings\*

Stock	% of fund
Lloyds Banking Group	1.5
Tesco	1.5
Kinross Gold	1.3
IamGold	1.3
Walt Disney	1.2
ArcelorMittal	1.1
Fujitsu	0.9
American Express	0.9
Royal Bank of Scotland	0.8
General Motors	0.8

## 5 largest bond holdings

Stock	% of fund
US Treasury 1.75% TIPS 2028	5.6
UK Treasury index-linked 0.125% 2068	5.4
UK Treasury index-linked 1.875% 2022	4.9
UK Treasury index-linked 0.375% 2062	4.6
US Treasury 0.875% TIPS 2029	3.0

\*Excludes holdings in pooled funds

Source: Ruffer LLP.

Pie chart totals may not equal 100 due to rounding.

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The information contained in this document does not constitute investment advice and should not be used as the basis of any investment decision. References to specific securities are included for the purposes of illustration only and should not be construed as a recommendation to buy or sell these securities. RAIFM has not considered the suitability of this fund against any specific investor's needs and/or risk tolerance. If you are in any doubt, please speak to your financial adviser.

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](http://www.ruffer.co.uk).

NAV £449.4m Market capitalisation £435.7m Shares in issue 180,788,416

## 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
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

\* 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.



## Enquiries

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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 30 June 2020, assets managed by the group exceeded £20.1bn.