

# Ruffer Investment Company Limited

An alternative to alternative asset management



October 2020 Issue 185

During October, the net asset value of the Company fell by 1.5%. This compares with a fall of 3.8% in the FTSE All-Share index.

A low allocation to equities and some profit taking in gold mining shares over the last two months softened the blow but was not enough to mitigate an overall loss in October. Concerns that bothered risk assets in September became more acute in October. Hopes faded of further US fiscal stimulus prior to the election and coronavirus infections surged across Europe bringing further curtailments in economic activity. Equity markets lost ground, with falls ranging from around 3% in the US to 10% in Germany. October illustrated again why we have been concerned for some time about the lack of effective protective assets. As equities fell, traditional haven assets such as US treasuries, UK gilts and gold also declined. Only the US dollar strengthened, validating both our suspicion that it may be one of the last traditional offsets available and its increased weighting in the fund.

The balanced portfolio of traditional assets is more vulnerable than ever. Our answer is to maintain an allocation to credit protections, which will provide a potent offset to deeper equity market falls, as was the case in the first quarter. We took significant profits earlier this year but once again increased the sensitivity of these positions as the summer ended. We think it is likely that there will be corporate failures before this crisis is resolved. Not every over-indebted company will be able to refinance or be rescued by governments.

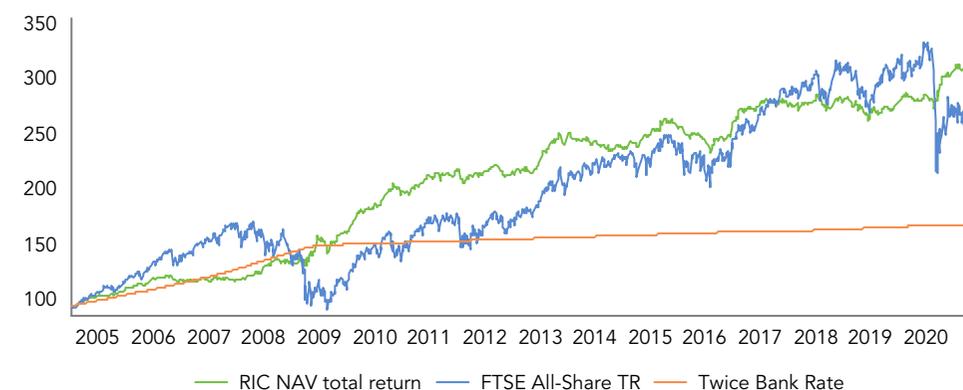
Whatever the result of the US election, one thing seems certain – government will get bigger and further fiscal support will ensue. Whether this takes the form of tax cuts or a Green New Deal will be a function of both the occupant of the White House and the composition of the Senate. Either way, with inflation deemed quiescent this fiscal support will be accompanied by rock bottom interest rates. A debt dependent recovery will not be able to stomach higher interest rates and higher inflation will be tolerated as the price for rehabilitating the economy. The global fiscal fire hose will eventually have its desired effect. Inflation will emerge like Hemingway's bankruptcy – 'gradually, then suddenly'. Risk assets will enjoy the 'gradually' and hate the 'suddenly'. For this reason, we hold value equities for the heralding of inflation and inflation-linked bonds for when it arrives. Low inflation expectations are underpinning high valuations on many asset prices and 2021 looks like it could be the year when this unravels.

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 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 %	Net Asset Value	Share price	As at 30 October 2020	p
October 2020	-1.5	-2.1	<b>Share price</b>	<b>235.00</b>
Year to date	5.6	5.4	<b>Net Asset Value (NAV) per share</b>	<b>242.48</b>
1 year	8.0	9.0		%
3 years	8.9	4.5	Premium/discount to NAV	-3.1
5 years	20.5	17.1	NAV total return since inception <sup>2</sup>	208.4
10 years	48.1	36.7	Standard deviation <sup>3</sup>	1.86
			Maximum drawdown <sup>3</sup>	-8.62

Performance calculated on a total return basis (including reinvestment of income)  
<sup>2</sup>Including 40.0p of dividends <sup>3</sup>Monthly data (NAV total return)

Performance to September 2020 %	2016	2017	2018	2019	2020
RIC NAV total return	10.0	1.6	1.5	1.5	8.2
FTSE All-Share total return	16.8	11.9	5.9	2.7	-16.6
Twice Bank Rate	0.9	0.5	1.0	1.5	0.8

Source: Ruffer LLP, FTSE International (FTSE) †

# Ruffer Investment Company Limited as at 30 Oct 2020

## Asset allocation



### Asset allocation %

● Non-UK index-linked	20.6
● Illiquid strategies and options	10.9
● Cash	10.3
● Long-dated index-linked gilts	9.8
● Index-linked gilts	8.6
● Gold and gold equities	7.5
● UK equities	14.6
● North America equities	7.3
● Japan equities	6.3
● Europe equities	3.2
● Asia ex-Japan equities	0.7

### Currency allocation %

● Sterling	78.7
● US dollar	10.2
● Gold	7.5
● Yen	3.5
● Euro	0.1

## Currency allocation



## 10 largest equity holdings\*

Stock	% of fund
Lloyds Banking Group	2.0
Tesco	1.3
Walt Disney	1.2
Vinci	1.0
NatWest Group	1.0
Royal Dutch Shell	0.9
American Express	0.9
Kinross Gold	0.8
BP	0.8
Countryside Properties	0.8

## 5 largest bond holdings

Stock	% of fund
UK Treasury index-linked 1.875% 2022	8.6
US Treasury 1.75% TIPS 2028	5.8
UK Treasury index-linked 0.125% 2068	5.3
UK Treasury index-linked 0.375% 2062	4.5
US Treasury 0.875% TIPS 2029	3.1

\*Excludes holdings in pooled funds

Source: Ruffer LLP.

Pie chart totals may not equal 100 due to rounding.

NAV £438.4m Market capitalisation £424.9m Shares in issue 180,788,416

## Company information

Annual management charge (no performance fee)	1.0%		
Ongoing Charges Figure*	1.08%		
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 30 June 2020

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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 30 September 2020, assets managed by the group exceeded £20.0bn.