

# Ruffer Investment Company Limited

An alternative to alternative asset management



February 2021 Issue 189

During February, the share price rose by 3.0% and the NAV rose by 4.3%. This compared with a rise of 2.0% in the FTSE All-Share index.

We always expected the journey to a post-covid world would be a bumpy ride, especially after the fireworks in stock markets last year, so we positioned the portfolio accordingly. With bond yields ending 2020 at extraordinarily low levels, it was only a matter of time before investors started to fret about a stronger than anticipated economic recovery in the coming months. February duly delivered the first of what may be several jolts to asset prices as bond yields rose sharply, gold sold off and equities fell back from all time highs touched in mid-February.

We have long been aware of the risk to portfolio performance from a rise in bond yields. Accordingly, we accumulated small, but powerful, holdings in interest rate options at bargain prices last year to protect against the damage exactly such a move could do to our long-dated inflation-linked bonds. These interest rate options rose sharply in February, ensuring we made a good return despite falls in gold and inflation-linked bonds. In technical terms, the interest rate options reduced the overall duration of the portfolio to close to zero, eliminating the downside risk from rising bond yields, despite the fact we continue to hold about 15% of the fund in the longest duration inflation-linked bonds available in both the UK and US. At the same time, we continue to avoid other hidden 'long duration' assets such as the US mega-cap growth stocks.

Freed from the drag of falling bond prices, the fund made a healthy gain in February thanks to strong rises in the recovery-biased equities in the portfolio. Previously 'out of favour' holdings such as UK banks (Lloyds, Natwest and Barclays) rose by around 20%, the oil majors gained approximately 10% and Japanese banks had a moment in the sun with rises of up to 15%. The small amount of exposure to cryptocurrency held via the Ruffer Illiquid Multi Strategies Fund also contributed positively.

Viewed from 10,000 feet, however, the big picture remains the same. Our conviction of an inflationary end to these events is unshaken, but at some point markets were going to test central bankers' resolve to keep interest rates nailed to the floor once economies showed signs of recovery. There may well be more such tests to come, hence the fund consists of essentially three 'legs'. First, inflation-linked bonds, gold and cryptocurrency protect against higher inflation and financial repression. In fact, we have used the recent sell-off to add to inflation-linked bonds. Secondly, unconventional protections such as interest rate options and credit protections enable us to keep to our course through the likely squalls. Finally, recovery-oriented equities profit from the reopening of economies around the world.

Over the last 12 months, this all-weather approach delivered a return NAV return of 24.2% and a share price return of 31.7% with a low level of volatility while stock and bond markets fluctuated wildly, and we believe it remains well positioned for an uncertain future.

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 26 February 2021	p
February 2021	4.3	3.0	Share price	277.00
Year to date	4.2	5.1	Net Asset Value (NAV) per share	271.54
1 year	24.2	31.7		%
3 years	22.2	22.7	Premium/discount to NAV	2.0
5 years	40.5	44.9	NAV total return since inception <sup>2</sup>	245.35
10 years	57.3	51.5	Standard deviation <sup>3</sup>	1.89
			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 (total return NAV)

12 month performance to December %	2016	2017	2018	2019	2020
RIC NAV total return	12.4	1.6	-6.0	8.4	13.5
FTSE All-Share Total Return	16.8	13.1	-9.5	19.2	-9.8
Twice Bank Rate	0.8	0.6	1.2	1.3	0.4

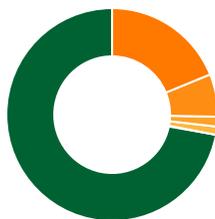
Source: Ruffer LLP, FTSE International (FTSE) †

# Ruffer Investment Company Limited as at 26 Feb 2021

## Asset allocation



## Currency allocation



### Asset allocation %

Non-UK index-linked	17.0
Illiquid strategies and options	14.5
Cash	10.4
Long-dated index-linked gilts	8.5
Gold and gold equities	6.3
Index-linked gilts	4.4
UK equities	18.2
North America equities	8.2
Japan equities	7.8
Europe equities	3.7
Asia ex-Japan equities	1.0

### Currency allocation %

Sterling	71.9
US dollar	19.0
Gold	6.3
Yen	1.2
Euro	0.2
Other	1.4

## 10 largest equity holdings\*

Stock	% of fund
Lloyds Banking Group	2.5
NatWest Group	1.5
BP	1.5
Royal Dutch Shell	1.5
iShares Physical Gold	1.3
Barclays	1.2
Sumitomo Mitsui Financial Group	1.1
Tesco	1.1
Volkswagen	1.0
Vinci	1.0

## 5 largest bond holdings

Stock	% of fund
US Treasury 1.75% TIPS 2028	4.7
UK Treasury index-linked 1.875% 2022	4.4
UK Treasury index-linked 0.125% 2068	4.0
UK Treasury index-linked 0.375% 2062	3.5
US Treasury 0.875% TIPS 2029	2.6

\*Excludes holdings in pooled funds

Source: Ruffer LLP.

Pie chart totals may not equal 100 due to rounding.

NAV £501.1m Market capitalisation £513.9m Shares in issue 184,538,416

## Company information

Annual management charge (no performance fee)	1.0%		
Ongoing Charges Figure*	1.09%		
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		

\* Audited at 31 December 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 31 January 2021, assets managed by the group exceeded £21.0bn.