

Ruffer Investment Company Limited

An alternative to alternative asset management



February 2020 Issue 177

During February, the net asset value of the Company fell by 2.6%. This compares with a fall of 8.9% in the FTSE All-Share index.

February proved to be the month when concerns over coronavirus truly went global. With cases emerging in countries as far apart as Italy and Iran the illusion was shattered that this was an infection limited to China. With concerns growing about global supply chains and the availability of labour in China's factories, investors moved to price in lower growth and an increased risk of recession. Equity markets tumbled while safe havens, such as government bonds, registered gains. Gold had a wild ride, reaching \$1659 per ounce before ending the month unchanged at \$1585 per ounce.

It goes without saying that we did not in any way predict the onset of COVID-19. However, we have been concerned for some time that equity and credit markets were priced for perfection, and that any one of several factors could expose their underlying fragilities. If economic growth slows, let alone a recession occurs, then profits go into reverse. The recent enormous rise in corporate debt, typically executed to fund share buybacks rather than investment in productive assets, will then be thrown into sharper relief. In a month when even the Company's prudent equity exposure proved in hindsight to be still too much, its credit protections stepped forward and rose around 15%. Owing to how these instruments are priced not all of that increase was captured in the Company's month end NAV, but we are confident that if market conditions darken further these instruments will provide substantial gains, at a time when other assets will struggle. Ultimately it is the credit market that the US Federal Reserve (and equity investors) should be fearful of if growth continues to slow.

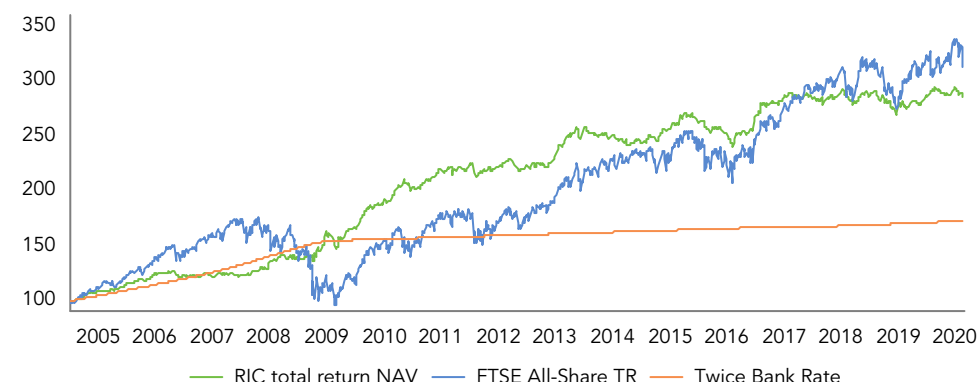
Looking out now we are not inclined to buy the dip, even after the sharp drop in equities. We have no greater forecasting power than the next man in terms of the spread of coronavirus, but viewing the slump in the official Chinese purchasing managers' indices, which in February hit levels even lower than those registered in the financial crisis, certainly provides food for thought.

The world's authorities will undeniably do their best to keep the economic system afloat, witness the emergency intra-meeting cut of 0.5% in US interest rates by the Federal Reserve, although it must be pointed out that the performance of risk assets following such cuts has historically been decidedly mixed. Moreover monetary firepower is running low, most especially in the Eurozone and Japan. For that reason, and for those of political economy, we have long articulated the view that the response to the next financial or economic downturn would have to be fiscal, against which eventuality the Company's index-linked bonds are key should inflation expectations consequently rise.

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 %	February 2020	Year to date	1 year	3 years	5 years	10 years
Total return NAV	-2.6	-4.7	1.9	-2.3	6.5	43.0
Share price TR ¹	-4.2	-6.6	1.0	-8.4	0.0	34.8

¹Assumes re-investment of dividends

Percentage growth in total return NAV	%	As at 28 February 2020	p
31 Dec 2018 – 31 Dec 2019	8.4	Share price	209.00
31 Dec 2017 – 31 Dec 2018	-6.0	Net Asset Value (NAV) per share	220.41
31 Dec 2016 – 31 Dec 2017	1.6		%
31 Dec 2015 – 31 Dec 2016	12.4	Premium/discount to NAV	-5.2
31 Dec 2014 – 31 Dec 2015	-1.0	NAV total return since inception ²	180.0
		Standard deviation ³	1.83
		Maximum drawdown ³	-8.62

Source: Ruffer LLP, FTSE International (FTSE) †

²Including 38.1p of dividends ³Monthly data (total return NAV)

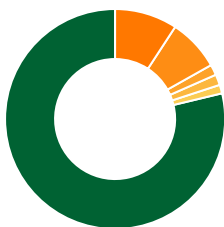
Ruffer Investment Company Limited as at 28 Feb 2020

NAV £398.5m Market capitalisation £377.8m Shares in issue 180,788,420

Asset allocation



Currency allocation



Asset allocation %

● Non-UK index-linked	22.3
● Illiquid strategies and options	10.2
● Long-dated index-linked gilts	9.7
● Gold and gold equities	7.7
● Cash	5.1
● Short-dated bonds	3.8
● Index-linked gilts	0.6

● UK equities	17.3
● Japan equities	10.3
● North America equities	9.7
● Europe equities	2.6
● Asia ex-Japan equities	0.7

Currency allocation %

● Sterling	78.7
● Yen	9.1
● Gold	7.7
● Euro	1.7
● US dollar	1.6
● Other	1.2

10 largest equity holdings*

Stock	% of fund
Lloyds Banking Group	2.6
Walt Disney Company	2.2
Tesco	2.1
Sony	1.3
Royal Bank of Scotland	1.3
Fujitsu	1.1
ExxonMobil	1.1
Ocado	1.1
ArcelorMittal	1.0
Nomura Real Estate	0.9

5 largest of bond holdings

Stock	% of fund
UK Treasury index-linked 0.125% 2068	5.2
US Treasury 0.625% TIPS 2021	5.1
UK Treasury index-linked 0.375% 2062	4.6
US Treasury 0.125% TIPS 2021	4.3
US Treasury 0.125% TIPS 2020	3.9

*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%
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 31 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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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.

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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 2020, assets managed by the group exceeded £19.5bn.