

Ruffer Investment Company Limited

An alternative to alternative asset management



March 2021 Issue 190

During March, the net asset value of the Company rose by 3.0% after allowing for the dividend paid during the month. This compares with a rise of 4.0% in the FTSE All-Share index. Index-linked gilts and cyclical equities were the main contributors to performance while options, gold and US index-linked bonds were a small drag on returns.

Closing the books on the first quarter, we are pleased to be up 7.3%. Global equities also had a good start – the FTSE All-World was up 4.0% as investors started to visualise what a recovery will feel like.

Meanwhile, most multi-asset strategies and conventional portfolios were either side of breakeven.

Conventional portfolios have become, by design and by default (via benchmarking), wired to the assets which performed well in the last market regime. That was a period of low economic growth and falling inflation. In a nutshell, this equated to prioritising conventional bonds over inflation-linked bonds, a preference for growth over value and for technology over everything. The problem is that in the new regime these might all be the wrong trades.

Today, we expect an economic boom in the latter half of the year and hopefully into 2022. What is the recipe? Take one part pent up animal spirits, mix with accumulated lockdown savings, pour on lashings of stimulus – serve in a supply constrained glass. Even central bankers are in party mood – they have said they will not take away the punchbowl until we have overshoot policy objectives.

In this world, there will be ample opportunity for businesses that have survived covid to grow sales and earnings – so the premium put on growth stocks will no longer be valid. Expect cyclical and value stocks to perform best. In the bond market, the US ten year yield has more than tripled from the August lows and sits at 1.7%, but it is still lower than where it ended 2019. This is where the real conundrum lies. The Barclays Long Treasury Index is down over 20% since August, its worst fall in 40 years, reminding everyone there is still risk in this supposedly risk-free asset. Rising yields are also starting to cause stresses elsewhere. The tide going out revealed Archegos and Greensill to be swimming naked and gold is down 15% from the autumn peak where we were taking profits.

Our Chief Investment Officer, Henry Maxey, expands upon the idea that traditional portfolios are going to get chomped by ‘Jurassic risk’ in our latest [Ruffer Review](#). Of course, it is possible this is just a cyclical upswing before disinflationary forces reassert themselves, but we think the game has changed.

For the new regime, investors need to be more creative in their diversification and protections. Government and corporate bonds are a mathematically bounded asset class offering low returns and limited protective qualities. We continue to see a competitive advantage in the expertise we have accumulated in unconventional protections and also think index-linked bonds will become a key asset class in the future.

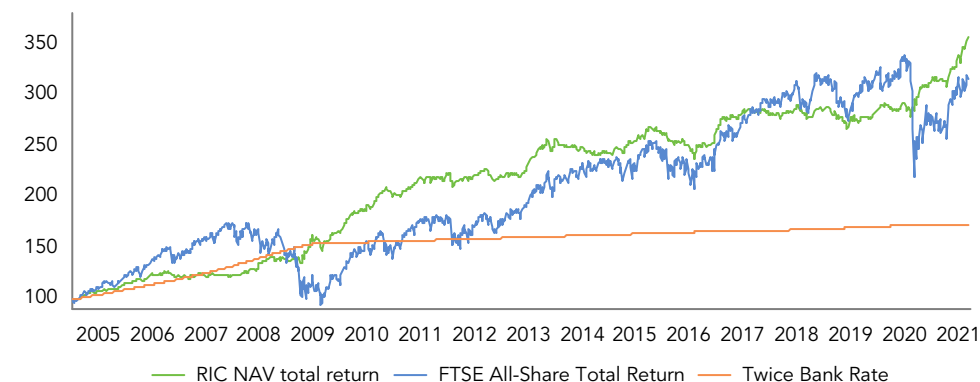
As for inflation, as George Soros said “I’m not predicting it, I’m observing it.” Houses, used cars, microchips, the cost of shipping – it’s happening right now. We have our protections and a game plan in place.

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 31 March 2021	p
March 2021	3.0	2.9	Share price	284.00
Year to date	7.3	8.1	Net Asset Value (NAV) per share	278.63
1 year	22.7	30.9		%
3 years	27.2	27.0	Premium/discount to NAV	1.9
5 years	41.5	45.8	NAV total return since inception ²	255.59
10 years	62.4	59.2	Standard deviation ³	1.90
			Maximum drawdown ³	-8.62

Performance calculated on a total return basis (including reinvestment of income)
²Including 40.9p of dividends ³Monthly data (total return NAV)

12 month performance to March %	2017	2018	2019	2020	2021
RIC NAV total return	12.8	-1.4	-0.6	4.3	22.7
FTSE All-Share Total Return	22.0	1.2	6.4	-18.5	26.7
Twice Bank Rate	0.7	0.7	1.3	1.3	0.2

Source: Ruffer LLP, FTSE International (FTSE) †

Ruffer Investment Company Limited as at 31 Mar 2021

Asset allocation



Asset allocation %

● Non-UK index-linked	16.1
● Illiquid strategies and options	12.5
● Cash	8.6
● Long-dated index-linked gilts	8.3
● Gold and gold equities	7.7
● Index-linked gilts	6.0
● UK equities	19.2
● North America equities	9.2
● Japan equities	7.8
● Europe equities	3.2
● Asia ex-Japan equities	1.3

Currency allocation %

● Sterling	77.6
● US dollar	12.4
● Gold	8.0
● Euro	0.3
● Other	1.7

Currency allocation



10 largest equity holdings*

Stock	% of fund
Lloyds Banking Group	2.5
iShares Physical Gold	1.8
NatWest Group	1.5
Royal Dutch Shell	1.5
BP	1.4
Barclays	1.3
Cigna	1.3
Bristol-Myers Squibb	1.2
GlaxoSmithKline	1.2
Tesco	1.2

5 largest bond holdings

Stock	% of fund
UK Treasury index-linked 1.875% 2022	6.0
US Treasury 1.75% TIPS 2028	4.5
UK Treasury index-linked 0.125% 2068	4.0
UK Treasury index-linked 0.375% 2062	3.4
US Treasury 0.875% TIPS 2029	2.4

*Excludes holdings in pooled funds

Source: Ruffer LLP.

Pie chart totals may not equal 100 due to rounding.

NAV £530.8m Market capitalisation £544.1m Shares in issue 190,488,416

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		

* As 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 28 February 2021, assets managed by the group exceeded £21.6bn.