

Ruffer Investment Company Limited

An alternative to alternative asset management



May 2021 Issue 192

During May the Company's net asset value (NAV) appreciated by 2.6% as the share price rose by 3.9%. This compared with a rise of 1.1% in the FTSE All-Share total return index.

It was a month where the market dynamics were driven by inflation. The US saw the largest monthly jump in core CPI since 1981 and this pushed up inflation expectations. The result was a fall in the dollar and rising prices in many financial assets especially commodities such as copper and gold.

The portfolio was a beneficiary of this, with gold the largest contributor to returns (+0.7%). Bank shares were also a significant contributor (+0.5%), including a new holding in UniCredit (more detail below). May saw the unusual situation of both falling bond yields (so rising bond prices) and rising share prices of financials. This is an odd dynamic that likely reflects both a secular drive by investors to top up underweight positions in financials and a tempering of the strong rise in bond yields seen in the first quarter of 2021.

On the negative side of the ledger were the protective options (-0.1%), which declined as rates fell back and equity markets pushed on. The most spectacular fall in market prices was seen in the cryptocurrency ecosystem, with bitcoin falling by around 35%. The Company's indirect exposure to bitcoin, bought in November, was sold down entirely in early April before the sell-off.

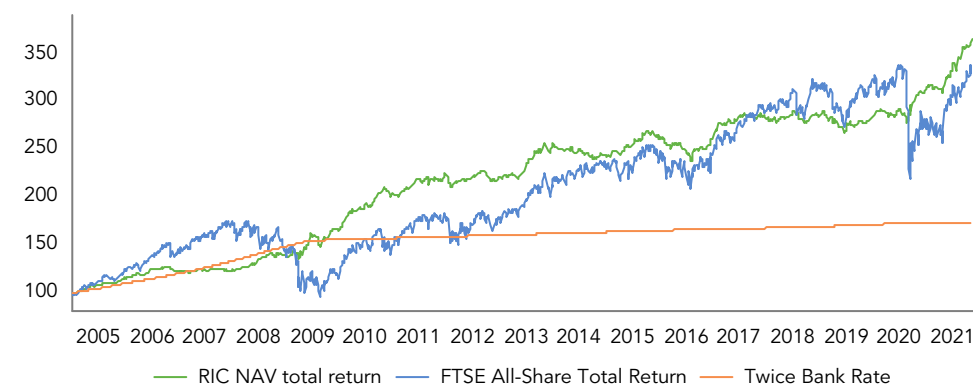
The bitcoin exposure was put into the portfolio as a defensive investment, to add diversification to our inflation hedges. Its strong rise thereafter reflected increased institutional and retail interest, and as it hit all-time highs in April we judged its asymmetry to be much lower (and importantly the threat to gold to be lower too). With more attractive risk-adjusted positions elsewhere in the market we sold the remaining exposure.

We have been adding to European equities. We believe Europe will soon receive the torch in the global economic growth relay that began with China powering ahead last year. The US is currently the fastest runner, something reflected in US equity outperformance, but as lockdowns end Europe is very much on the move and will soon take the torch from the US. This spurt of growth should see eurozone bond yields rise, a stronger euro and weaker dollar and strong performance from European financials. On top of this, the arrival of the fiscal cavalry in the shape of the European Recovery Fund should disproportionately benefit Italy. UniCredit is our preferred expression of this, with the tailwind of domestic banking consolidation an additional spur.

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 May 2021	p
May 2021	2.6	3.9	Share price	297.00
Year to date	11.1	12.9	Net Asset Value (NAV) per share	288.52
1 year	18.5	21.2		%
3 years	28.6	29.6	Premium/discount to NAV	2.9
5 years	46.3	49.7	NAV total return since inception ²	268.58
10 years	68.0	65.8	Standard deviation ³	1.89
			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 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.

Ruffer Investment Company Limited as at 28 May 2021

Asset allocation



Asset allocation	%
● Illiquid strategies and options	10.9
● Long-dated index-linked gilts	10.4
● Short-dated bonds	8.5
● Gold and gold equities	8.4
● Cash	7.9
● Non-UK index-linked	7.0
● Index-linked gilts	5.6
● UK equities	20.0
● North America equities	7.6
● Japan equities	7.3
● Europe equities	5.3
● Asia ex-Japan equities	1.2
Currency allocation	
● Sterling	84.4
● Gold	8.8
● Euro	4.4
● US dollar	0.3
● Yen	0.1
● Other	2.0

Currency allocation



10 largest equity holdings*

Stock	% of fund
Lloyds Banking Group	2.7
iShares Physical Gold	2.0
BP	1.8
Royal Dutch Shell	1.8
NatWest Group	1.6
Centene	1.3
Cigna	1.2
GlaxoSmithKline	1.2
Bristol-Myers Squibb	1.2
Tesco	1.1

5 largest bond holdings

Stock	% of fund
UK Treasury index-linked 1.875% 2022	5.6
UK Treasury index-linked 0.125% 2068	5.0
UK Treasury 3.75% 2021	4.5
UK Treasury index-linked 0.375% 2062	3.4
US Treasury 0.625% TIPS 2023	3.3

*Excludes holdings in pooled funds
Source: Ruffer LLP.
Pie chart totals may not equal 100 due to rounding.

NAV £579.8m Market capitalisation £596.9m Shares in issue 200,968,416

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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Enquiries

Ruffer AIFM Ltd	+44 (0)20 7963 8254
80 Victoria Street	rif@ruffer.co.uk
London SW1E 5JL	www.ruffer.co.uk

Ruffer LLP

The Ruffer Group manages investments on a discretionary basis for private clients, trusts, charities and pension funds. As at 30 April 2021, assets managed by the group exceeded £22.4bn.