

Ruffer Investment Company Limited

An alternative to alternative asset management



August 2022 Issue 207

During August, the net asset value of the Company rose by 0.4%. This compared to the FTSE All-Share TR which fell by 1.7%.

August commenced with markets continuing to bask in the summer sun, as a softer than expected inflation release fed the narrative that the US economy was passing peak inflation with no signs of weakness in the labour market. This was the ‘goldilocks’ style environment many investors were longing for, but it appears incompatible with the likely path of monetary policy. We felt this rally would ultimately be self-defeating since rising equity prices (among other measures) are catalysts for looser financial conditions – the very opposite of the tightening the Federal Reserve hopes to enforce on the economy. The party pooper on this occasion was Federal Reserve Chair Jerome Powell, speaking at the annual Jackson Hole economic symposium. In contrast to recent communications, which had given some the hope the Fed was reaching for the pause button, Powell left little doubt they remain resolute in the battle to combat the current period of high inflation. One regional Fed president even noted his satisfaction with the equity market’s negative response to Powell’s speech – oh, how times have changed!

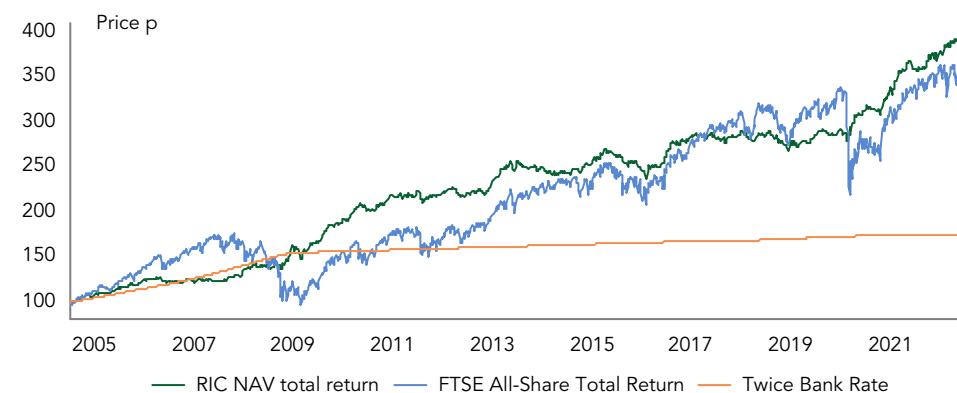
For investors, this amounted to another difficult month in an already challenging year. Developed market equities fell, whilst bond markets suffered as yields rose sharply. Yield rises were most pronounced in Europe as expectations responded to the advancing energy price crisis and the likelihood of further interest rate rises. Despite the expected rise in inflation, which some forecasters estimate will exceed 20% in the UK, longer term inflation expectations remain anchored to historic averages, creating a headwind for the fund’s long-dated, index-linked gilts. Despite this backdrop, the fund delivered a positive return led by notable contributions from interest rate payer swaptions, which benefit from rising yields, and our other less conventional protective assets. The fund’s equity exposure fared better than wider indices in part due to our tilt towards energy, with BP rising by 10% over the month.

In a world where interest rates are rising and liquidity is being drained from the financial system (the pace of quantitative tightening in the US is doubling from September), our focus is firmly on our primary investment objective of capital preservation. Following a decade where the investment mantra was best summarised by TINA (There is No Alternative) as those seeking returns were forced to absorb ever more risk, investors are now offered a genuine alternative in the form of higher short-term interest rates on cash. We are concerned this will be the catalyst for a reduction in allocations to risk assets, with few areas of safety. Therefore we now have a low weighting to equities, both in absolute terms and relative to our 27 year history, and have bolstered our unconventional protections to defend the portfolio should financial markets fall further. This should not be viewed as a low conviction portfolio, rather one that is well placed to protect from potential turbulence ahead.

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 base rate. The Company predominantly invests in internationally listed or quoted equities or equity-related securities (including convertibles) or bonds which are issued by corporate issuers, supra-nationals or government organisations. Where appropriate, collective investment schemes will also be used to gain exposure to these assets.

Performance since launch on 8 July 2004



Performance %	Net Asset Value	Share price	As at 31 August 2022	p
August 2022	0.4	2.2	Share price	302.00
Year to date	3.6	3.6	Net Asset Value (NAV) per share	296.65
1 year	7.3	5.8		%
3 years	32.2	38.8	Premium/discount to NAV	1.8
5 years	36.6	35.1	NAV total return since inception ²	285.3
10 years	74.5	70.7	Standard deviation ³	1.85
			Maximum drawdown ³	-8.62

All figures in the above table are calculated on a total return basis (including reinvestment of income). If monthly performance is quoted in the commentary, it may be calculated on a price return basis and differ from the information in this table.

²Including 43.8p of dividends ³Monthly data (total return NAV)

12 month performance to June %	2018	2019	2020	2021	2022
RIC NAV total return	0.8	-0.9	10.1	15.3	6.0
FTSE All-Share Total Return	9.0	0.6	-13.0	21.5	1.6
Twice Bank Rate	0.8	1.4	1.1	0.2	0.8

Source: Ruffer LLP, FTSE International

The financial effects of the Company’s formal equity fundraising in November 2021 were not accurately reflected in performance calculations, leading to past performance figures being understated by a non-material amount in the Company’s interim, annual and monthly reports published between December 2021 and April 2023. The performance methodology has been updated to amend this error and past performance figures in this report are correct.

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 31 Aug 2022

Asset allocation



Currency allocation



Asset allocation

	%
Short-dated bonds	28.7
Illiquid strategies and options	17.8
Index-linked gilts	14.0
Non-UK index-linked	7.7
Long-dated index-linked gilts	7.0
Cash	5.7
Gold exposure and gold equities	2.2
Global funds	0.4

UK equities	7.6
North America equities	3.4
Japan equities	2.8
Europe equities	2.3
Asia ex-Japan equities	0.2
Other equities	0.1

Currency allocation

	%
Sterling	71.8
Yen	9.3
US dollar	8.9
Australian dollar	7.2
Euro	1.4
Other	1.4

10 largest equity holdings*

Stock	% of fund
BP	1.6
Mitsubishi UFJ Financial Group	0.8
Unilever	0.5
NEC	0.4
Chesapeake Energy	0.4
UPM-Kymmene Oyj	0.4
Taylor Maritime	0.4
Shell	0.4
Meta Platforms	0.4
Hipgnosis Songs Fund	0.4

5 largest bond holdings

Stock	% of fund
UK Treasury index-linked 0.125% 2024	9.0
US Treasury FRN 2023	8.1
US Treasury 0.625% TIPS 2023	7.7
US Treasury FRN 2024	7.7
UK Treasury index-linked 1.875% 2022	2.5

*Excludes holdings in pooled funds

Source: Ruffer LLP.

Pie chart totals may not equal 100 due to rounding.

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NAV £1,006.7m Market capitalisation £1,024.8m Shares in issue 339,352,764

Company information

Annual management charge (no performance fee)	1.0%		
Ongoing Charges Ratio*	1.08%		
Ex dividend dates	March, October		
NAV valuation point	Weekly, every Tuesday and the last business day of the month		
Stock ticker	RICA LN		
ISIN	GB00B018CS46	SEDOL	B018CS4
Administrator	Sanne Fund Services (Guernsey) 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 as at 31 December 2021

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Fund Managers

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INVESTMENT DIRECTOR

Joined Ruffer in 2012. He graduated from the University of Glasgow School of Law in 2007 and spent four years working at Barclays in Glasgow, London and Singapore. He is a CFA charterholder and co-manager of two of Ruffer's flagship funds.



Ruffer LLP

The Ruffer Group manages investments on a discretionary basis for private clients, trusts, charities and pension funds. As at 31 July 2022, assets managed by the group exceeded £25.9bn.