

# Ruffer Investment Company Limited

An alternative to alternative asset management



September 2022 Issue 208

During September, the net asset value of the Company rose by 3.1%. This compared to the FTSE All-Share TR which fell by 5.9%.

A seamless succession from the late Queen Elizabeth II to King Charles III stood in stark contrast to growing instability in financial markets as the long reign of low inflation and easy money ends. Stocks and bonds both fell once again as the toxic cocktail of persistent inflation, central bank hawkishness, rising recession risk and political uncertainty left investors with few hiding places.

August's 8.3% US inflation print proved hotter than expected, dashing remaining hopes of a Fed 'pivot' away from aggressive monetary tightening. Stock markets suffered their biggest one-day drop since the depths of COVID and all the time the liquidity noose continues to tighten. Fed hikes took US rates to 3.25% and heading higher, with markets now predicting over 4% by the year end. Quantitative tightening (QT) – where the Fed drains liquidity by running down its holdings of government bonds – doubled to \$95bn per month. Lower liquidity means less money is available to support asset prices. Consequently, the fund retains a record low equity weight of c.14%, which detracted 1% from performance. Our downside derivative protections were the biggest positive, adding 3.6%. We have taken some profits here.

Against this febrile backdrop the new British government popped its head above the parapet with a 'mini-budget' requiring extra borrowing at a time of rapidly rising rates, high inflation and a large current account deficit. A market storm ensued: sterling touched an all-time low whilst UK bond yields surged, triggering a doom-loop of disorderly selling by Liability Driven Investing (LDI) pension strategies scrambling for cash to meet derivative margin calls. Real (inflation-adjusted) yields on the longest-dated UK index-linked bonds (held in the fund) rocketed to nearly 2%. This gave us the opportunity to add to these key assets at extraordinarily distressed prices, before the Bank of England was forced to step in to restore order. At one point down over 85% year to date, the 2073 index-linked gilts rallied nearly 250% from their trough to the month end, adding significantly to performance. They remain an option on long-term inflation expectations un-anchoring. We also added new positions in long-dated US inflation-protected TIPS and conventional bonds totalling c.7%. The combination of higher yields and growing recession risk now makes these bonds more attractive than for many years. We also increased our US dollar weighting after the pound recovered from its 'mini-budget' meltdown. For now, the dollar offers defensive characteristics in a world of deepening risks.

Britain's gilt market seizure is a warning from the future. As the liquidity tide continues to recede, other crises will emerge. Housing markets are one obvious area where rapid rate rises are already causing trouble. As the Bank of England has just discovered, central banks may have to choose between controlling inflation or protecting financial stability. Ending the reign of easy money was never going to see a smooth succession. The fund remains defensively positioned with the liquidity to take opportunities as they arise.

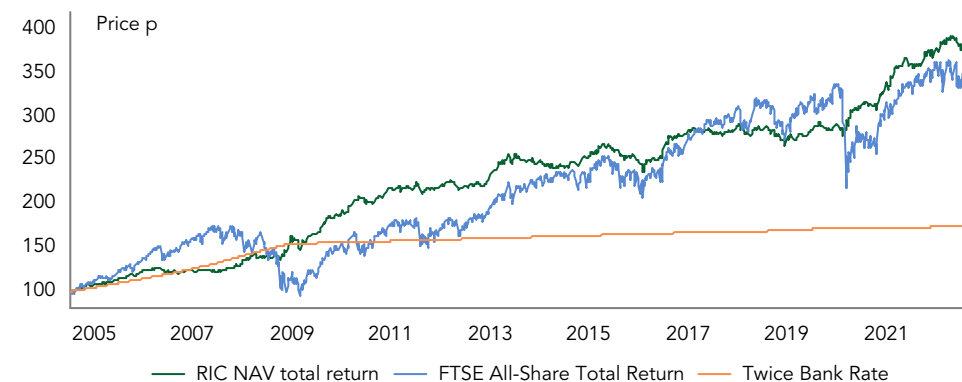
We are holding a meeting for shareholders on Thursday 24 November at our office in London. If you would like to attend please email [ruffer@ruffer.co.uk](mailto:ruffer@ruffer.co.uk).

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 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 30 September 2022	p
September 2022	3.1	-4.6	<b>Share price</b>	<b>288.00</b>
Year to date	6.8	-1.2	<b>Net Asset Value (NAV) per share</b>	<b>305.83</b>
1 year	9.7	0.9		%
3 years	37.1	33.4	Premium/discount to NAV	-5.8
5 years	41.4	31.0	NAV total return since inception <sup>2</sup>	297.2
10 years	78.1	62.9	Standard deviation <sup>3</sup>	1.86
			Maximum drawdown <sup>3</sup>	-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.

<sup>2</sup>Including 43.8p of dividends <sup>3</sup>Monthly data (total return NAV)

12 month performance to September %	2018	2019	2020	2021	2022
RIC NAV total return	1.5	1.6	8.2	15.4	9.7
FTSE All-Share Total Return	5.9	2.7	-16.6	27.9	-4.0
Twice Bank Rate	1.0	1.5	0.8	0.2	1.6

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 Investment Company Limited as at 30 Sep 2022

## Asset allocation



Asset allocation	%
● Illiquid strategies and options	20.5
● Short-dated bonds	19.5
● Index-linked gilts	11.6
● Long-dated index-linked gilts	10.7
● Non-UK index-linked	8.6
● Long-dated bonds	6.1
● Cash	5.4
● Gold exposure and gold equities	2.1
● Global funds	0.4
● UK equities	7.3
● North America equities	3.2
● Japan equities	2.4
● Europe equities	1.8
● Asia ex-Japan equities	0.1
● Other equities	0.1
Currency allocation	%
● Sterling	66.2
● US dollar	16.3
● Yen	9.1
● Australian dollar	6.6
● Euro	0.5
● Other	1.3

## Currency allocation



## 10 largest equity holdings\*

Stock	% of fund
BP	1.5
Mitsubishi UFJ Financial Group	0.7
Unilever	0.5
American Express	0.4
UPM-Kymmene Oyj	0.4
NEC	0.4
Chesapeake Energy	0.4
Shell	0.4
Trident Royalties	0.4
Taylor Maritime	0.3

## 5 largest bond holdings

Stock	% of fund
UK Treasury index-linked 0.125% 2024	8.7
US Treasury 0.625% TIPS 2023	8.6
US Treasury FRN 2023	4.5
US Treasury FRN 2024	4.5
UK Treasury 0.125% 2073	3.0

\*Excludes holdings in pooled funds

Source: Ruffer LLP.  
Pie chart totals may not equal 100 due to rounding.

NAV £1,053.5m Market capitalisation £992.1m Shares in issue 344,467,764

## 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

### Duncan MacInnes

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.



## Enquiries

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## Ruffer LLP

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