

Ruffer Investment Company Limited

An alternative to alternative asset management



April 2020 Issue 179

During April, the net asset value of the Company rose by 5.8%. This compares with a rise of 5.0% in the FTSE All-Share index.

April was very much the yang to March's yin, with the US stock market moving from the fastest fall since the Great Depression (in March) to the largest monthly rise since 1987. Following the significant pivot in portfolio positioning in the second half of March the portfolio was able to capture much of the available upside (it is the second highest monthly return in the Company's 16 year history), whilst remaining appropriately defensively positioned. The share price rose by over 10% marking the best month in the Company's history.

Gold and gold mining equities (+3.4%) accounted for more than half of the portfolio's return. We topped up this area in mid-March as various levered retail gold miner exchange-traded funds (ETFs) imploded, leaving attractive stock prices in their wake. The miners have rebounded strongly and indeed one of the names we added to, Newmont Corp, is the best performing company in the S&P 500 so far this year, handsomely outperforming the 'FANG' names (Facebook, Amazon, Netflix and Google) that are for now the market darlings. The next largest contributor was inflation-linked bonds (+2.0%), as long-dated bond yields continued to be squashed down by the largest central bank buying programmes ever seen, followed closely by the equity allocation as a whole (+1.2%). On the other side of the ledger were the unconventional portfolio protections (-1.1%): after we took significant profits in March, these provided a lesser headwind to performance.

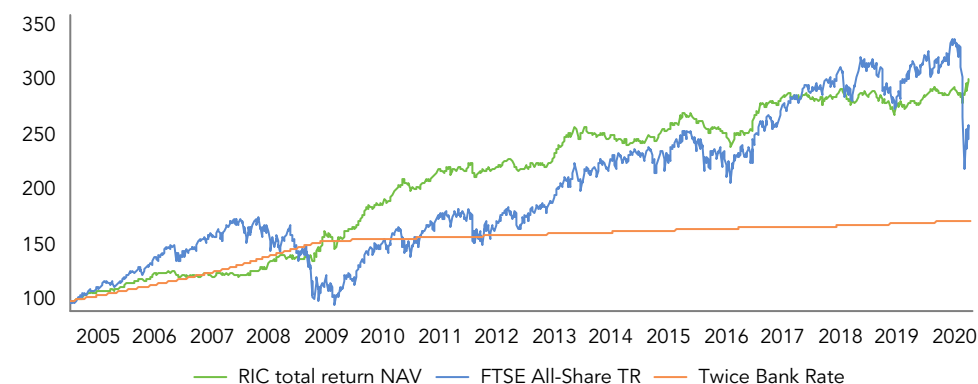
Where next for markets? Liquidity argues for higher prices, while economic fundamentals argue for lower prices. On the one hand, the veritable torrent of monetary and fiscal stimulus squeezes stocks and bonds higher; on the other, all the money one saves by being locked at home represents all of someone else's lost revenues. For now the balance appears to be in favour of price appreciation; we would only caution that if markets run significantly higher, politicians and central bankers may be faced with the exceptionally toxic combination of both stock markets and unemployment at record highs, and it is likely that they will amend or withdraw accommodative market policy in favour of policies that benefit workers rather than corporates.

Reflecting this and other concerns, we have over the last six weeks added more yen to the protective armoury. A number of factors argue for yen appreciation – Japan's oil imports are now much cheaper, its low interest rates are no longer such a relative rarity, and the Bank of Japan will find it hard to surpass the stimulus efforts of others given how much of the Japanese government bond (JGB) market the Bank already owns, to name just three – and this appreciation would be turbo-charged if further distress or defaults were seen in the US corporate credit market, as Japanese investors repatriate their significant investments there. Worldwide, it is the currency that looks most like gold and is therefore deserving of a significant allocation.

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 %	April 2020	Year to date	1 year	3 years	5 years	10 years
Total return NAV	5.8	5.0	9.6	8.0	15.0	49.1
Share price TR ¹	10.4	6.7	13.2	5.8	16.1	42.9

¹Assumes re-investment of dividends

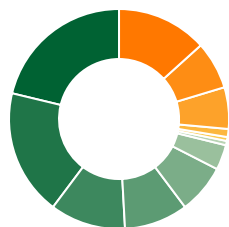
Percentage growth in total return NAV	%	As at 30 April 2020	p
31 Mar 2019 – 31 Mar 2020	4.3	Share price	240.00
31 Mar 2018 – 31 Mar 2019	-0.6	Net Asset Value (NAV) per share	242.02
31 Mar 2017 – 31 Mar 2018	-1.4	Premium/discount to NAV	-0.8
31 Mar 2016 – 31 Mar 2017	12.8	NAV total return since inception ²	208.7
31 Mar 2015 – 31 Mar 2016	-4.9	Standard deviation ³	1.88
		Maximum drawdown ³	-8.62

Source: Ruffer LLP, FTSE International (FTSE) †

²Including 39.0p of dividends ³Monthly data (total return NAV)

Ruffer Investment Company Limited as at 30 Apr 2020

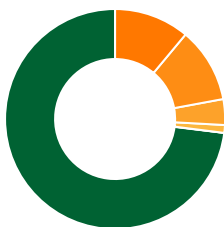
Asset allocation



Asset allocation %

Non-UK index-linked	21.3
Illiquid strategies and options	18.6
Gold and gold equities	10.9
Long-dated index-linked gilts	9.4
Cash	7.2
Short-dated bonds	3.7
Index-linked gilts	0.5

Currency allocation



Currency allocation %

Sterling	72.9
Yen	11.1
Gold	10.9
US dollar	3.7
Euro	1.3
Other	0.0

10 largest equity holdings*

Stock	% of fund
Tesco	2.0
Lloyds Banking Group	1.8
Walt Disney Company	1.5
IamGold	1.4
Cigna Corporation	1.3
Centene Corporation	1.3
Kinross Gold	1.2
AngloGold Ashanti	1.1
Ocado	1.1
Sony	1.0

5 largest of bond holdings

Stock	% of fund
US Treasury 1.75% TIPS 2028	5.7
UK Treasury index-linked 0.125% 2068	5.0
UK Treasury index-linked 0.375% 2062	4.4
UK Treasury 2.0% 2020	3.7
US Treasury 0.625% TIPS 2043	3.5

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

NAV £437.6m Market capitalisation £433.9m Shares in issue 180,788,420

Company information

Annual management charge (no performance fee)	1.0%
Ongiong 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 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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Ruffer LLP

The Ruffer Group manages investments on a discretionary basis for private clients, trusts, charities and pension funds. As at 31 March 2020, assets managed by the group exceeded £19.1bn.