Ruffer Investment Company Limited

An alternative to alternative asset management

July 2021 **Issue 194**

During July, the Company's net asset value (NAV) fell by 0.5% although the share price rose by 0.3%. This compared with a rise of 0.5% in the FTSE All-Share total return index.

Bond yields fell throughout July as investors shrugged-off yet another blowout US inflation print: June CPI came in at 5.4%, well above expectations once again. Real (inflation-adjusted) yields moved further into negative territory, boosting the Company's inflation-protected bonds and adding 1.6% to performance. Together with a pause in US dollar appreciation, deeper negative real yields gave a lift to gold. By contrast, falling yields proved a headwind for our swaption book, which is held to protect against the opposite scenario. This interest rate protection detracted from performance (-0.9%). However, it remains an important part of the investment mix, which we think will be needed later this year and we have been topping up this position.

Investors cannot seem to agree on the reasons for the bond rally. Technical factors contributed (quantitative easing buying exceeding new issuance), as did anxiety over the slowing speed of economic recovery and the spread of the Delta variant of covid-19. There is also a growing perception that monetary and fiscal policy will tighten from here. As a result, July saw investors fretting about 'peak everything'. Equity investors tilted away from so-called 'reflation' trades – assets which do better in periods of faster economic expansion. Our equities – predominantly economically-sensitive value and cyclical stocks – were held back as a result, costing the company 0.6%. A challenge to the reflation narrative was always likely in the second half of this year. The blistering rates of growth seen in the recovery from the sharpest post-war recession were bound to slow, whilst further waves of covid-19 and uneven global vaccination progress threaten both confidence and re-opening. However, despite the angst and a mid-month sell-off, global equities ended July just shy of yet another all-time high. Perhaps 'bad news is good news' again on the basis it keeps the punchbowl of central bank liquidity at the party for longer.

We expect a further leg of the 'reflation' trade and have added to our cyclical equities. Although the US Federal Reserve is now talking about tapering, central banks remain extremely accommodative. The European Central Bank has re-committed itself to stimulus as far as the eye can see. Even the more orthodox Chinese central bank signalled an end to tightening. At the same time, corporate earnings season has seen significant positive surprises which should support a strong capex cycle. Crucially, the UK's re-opening experience suggests vaccines decisively degrade the link between infections, hospitalisations and deaths, putting economic normality within reach of vaccinated states.

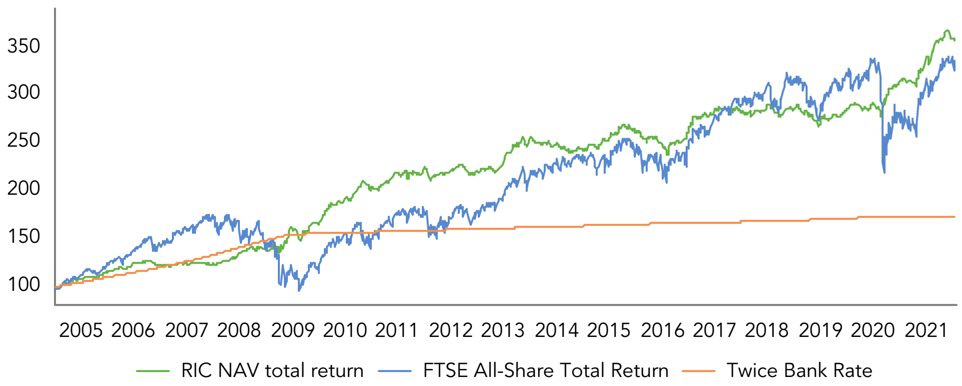
But risks to markets remain elevated, notably from China. On top of fresh covid-19 outbreaks and perennial debt issues, Beijing offered foreign investors re-education in political risk this month as the ongoing regulatory crackdown moved from tech to tuition stocks before rattling Chinese stocks more broadly. Under-priced political risk is one reason we have historically avoided large allocations to Chinese equities. This will not be the last barrage in the burgeoning capital markets war, nor the last nasty surprise for financial markets, out of the Middle Kingdom.

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
July 2021	-0.5	0.3
Year to date	7.8	9.5
1 year	13.5	19.0
3 years	24.0	26.0
5 years	32.2	39.6
10 years	61.0	58.6

Performance calculated on a total return basis (including reinvestment of income)

As at 30 July 2021	p
Share price	**288.00**
Net Asset Value (NAV) per share	**280.04**
	%
Premium/discount to NAV	2.8
NAV total return since inception[2]	257.7
Standard deviation[3]	1.90
Maximum drawdown[3]	-8.62

[2]Including 40.9p of dividends [3]Monthly data (total return NAV)

12 month performance to June %	2017	2018	2019	2020	2021
RIC NAV total return	8.8	0.8	-0.9	10.1	15.3
FTSE All-Share Total Return	18.1	9.0	0.6	-13.0	21.5
Twice Bank Rate	0.5	0.8	1.4	1.0	0.1

Source: Ruffer LLP, FTSE International (FTSE) †

Ruffer Investment Company Limited as at 30 Jul 2021

NAV £588.3m Market capitalisation £605m Shares in issue 210,068,416

Asset allocation

Currency allocation

Asset allocation	%
Long-dated index-linked gilts	14.0
Cash	9.3
Short-dated bonds	9.2
Non-UK index-linked	7.1
Gold and gold equities	6.9
Illiquid strategies and options	6.1
Index-linked gilts	5.5
UK equities	21.5
Japan equities	6.6
North America equities	6.5
Europe equities	5.6
Other equities	1.0
Asia ex-Japan equities	0.6

Currency allocation	%
Sterling	80.5
US dollar	8.2
Gold	7.2
Euro	1.6
Yen	0.8
Other	1.7

10 largest equity holdings*

Stock	% of fund
Lloyds Banking Group	2.5
Royal Dutch Shell	2.4
BP	2.3
NatWest Group	1.6
GlaxoSmithKline	1.3
Centene	1.3
Tesco	1.2
Bristol-Myers Squibb	1.1
Cigna	1.1
Ambev SA	1.0

5 largest bond holdings

Stock	% of fund
UK Treasury index-linked 0.125% 2068	5.8
UK Treasury index-linked 1.875% 2022	5.5
UK Treasury index-linked 0.125% 2065	4.6
UK Treasury 3.75% 2021	4.4
UK Treasury index-linked 0.375% 2062	3.7

*Excludes holdings in pooled funds

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

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 in Glasgow, London and Singapore. He is a CFA charterholder and is co-manager of Ruffer Investment Company.

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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 30 Jun 2021, assets managed by the group exceeded £23.0bn.