

# Ruffer Investment Company Limited

An alternative to alternative asset management



December 2021 Issue 199

During December, the Company's NAV rose by 0.2%. This compared with a rise of 4.7% in the FTSE All-Share index. This rounded off a solid year for the Company's NAV (+12.0%) and consolidated the gains made in the previous two years with the three year annualised return now running at 11.3%.

December began in the aftermath of the sell-off in reopening-sensitive assets, such as energy and cyclicals. The sharp decline in bond yields seen at the end of November continued into early December, as the discovery of the new Omicron variant threatened the vaccine-led economic recovery globally. We took advantage of this sell-off to reinforce core equity positions in energy, financials and industrials. This allowed the equity weight to rise marginally to 43%.

Overall, equities added +2.2% to the monthly return (with financials being the largest contributor) as evidence grew that Omicron might be less dangerous than first thought. Derivative protection (-0.4%) was a drag, as successes with equity put options were outweighed by a fall in credit spreads. Equity put options are held to protect against a withdrawal of liquidity by the Fed, and credit protection for weakness in the real economy.

Inflation-linked bonds detracted 1.6% from the monthly return as bond yields rose and inflation expectations did not. This is a dynamic that may persist in 2022 as economic strength continues and central banks begin to tighten. As a result, we reduced portfolio duration significantly, to nearly zero by the month end, using interest rate options.

At the same time, we retain our high conviction in both financial and energy equities. For financials, many investors cannot contemplate buying them and this is providing some spectacular prospective return opportunities. UniCredit's decision (and ability) to return 50% of its market cap to shareholders within the next three years shows just how undervalued they are. Rising real yields, which hurt index-linked bonds (which we own) and highly valued growth and tech stocks (which we do not own), should be accompanied by rising earnings for financial stocks. The picture for energy stocks is similar. There is something of a catch-22 in energy markets: energy demand continues to rise even as the world navigates the path to net zero, but there is a lack of investment in reliable supply, even though it is crucial to the net zero solution. This leaves higher energy prices the likely outcome and cheap valuations the entry point. We continue to focus on engaging with these companies to help and encourage them on the energy transition journey. The average energy stock in the Company returned 40% in 2021 and the average financial stock returned 35%.

We enter 2022 satisfied that our all-weather investment strategy has fared well through a wide range of investment conditions in the last three years. However, for all investors things are likely to get more rather than less difficult from here. In order to protect and grow their savings, investors will need to focus on risk rather than return and adopt a multi-asset approach containing genuinely uncorrelated assets.

## 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 December 2021	p
December 2021	0.2	-1.3	<b>Share price</b>	<b>293.00</b>
Year to date	12.0	13.0	<b>Net Asset Value (NAV) per share</b>	<b>287.74</b>
1 year	12.0	13.0		%
3 years	37.8	45.3	Premium/discount to NAV	1.8
5 years	31.6	30.9	NAV total return since inception <sup>2</sup>	271.9
10 years	68.8	67.6	Standard deviation <sup>3</sup>	1.87
			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 42.3p of dividends <sup>3</sup>Monthly data (total return NAV)

12 month performance to December %	2017	2018	2019	2020	2021
RIC NAV total return	1.6	-6.0	8.4	13.5	12.0
FTSE All-Share Total Return	13.1	-9.5	19.2	-9.8	18.3
Twice Bank Rate	0.6	1.2	1.5	0.5	0.2

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 Dec 2021

## Asset allocation



Asset allocation	%
● Long-dated index-linked gilts	12.7
● Index-linked gilts	11.1
● Cash	9.6
● Gold exposure and gold equities	7.7
● Illiquid strategies and options	6.9
● Non-UK index-linked	5.6
● Short-dated bonds	3.1
● UK equities	20.2
● North America equities	8.7
● Japan equities	7.4
● Europe equities	5.8
● Asia ex-Japan equities	0.3
● Other equities	1.1

  

Currency allocation	%
● Sterling	81.4
● Yen	8.4
● US dollar	4.2
● Euro	1.1
● Other	4.9

## Currency allocation



## 10 largest equity holdings\*

Stock	% of fund
BP	2.9
Royal Dutch Shell	2.6
Lloyds Banking Group	2.2
Cigna	1.6
NatWest Group	1.6
Mitsubishi UFJ Financial Group	1.2
Bristol-Myers Squibb	1.1
GlaxoSmithKline	1.0
ORIX Corporation	1.0
iShares Physical Gold	1.0

## 5 largest bond holdings

Stock	% of fund
UK Treasury index-linked 0.125% 2068	5.4
UK Treasury index-linked 0.125% 2024	4.8
UK Treasury index-linked 1.875% 2022	4.0
UK Treasury index-linked 0.125% 2065	3.6
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.

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NAV £708.9m Market capitalisation £721.9m Shares in issue 246,375,637

## 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 Group Plc		
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 30 June 2021

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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 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 30 November 2021, assets managed by the group exceeded £23.7bn.