

Ruffer Investment Company Limited

An alternative to alternative asset management



June 2022 Issue 205

During June, the fund price fell by 6.8%. Net asset value fell by 2.1%. This compared to the FTSE All-Share TR which fell by 6.0%

June began calmly, as markets (like us) mooted the idea that the worst of the inflation and interest rate damage might be past. The CPI inflation release on June 10 put paid to any such thinking, catalysing a sharp selloff in both bond and equity markets as global central banks accelerated their interest rate hikes. On a global basis nothing escaped the selloff: no major asset class delivered a positive return in the month, with the exception of Chinese equities. The last time this happened was in March 2020 in the depths of the covid crisis.

June's inflation release closed the window for a potential equity market rally by shifting the moment of peak inflation later into the year. We have high conviction that the triple tightening being executed by the Federal Reserve is likely to prove exceptionally damaging to financial markets over the next few months, meaning there will not be time for the peak inflation thesis to prove itself before markets or the economy crack under the tightening pressure.

We reflect this with the lowest weight to equities (25%) for the Ruffer strategy since March 2003. This is accompanied by a full suite of derivative protections. There are times in the market cycle that just need to be got through and we have to accept some volatility in the returns. Our preoccupation remains in avoiding a permanent and significant loss of capital.

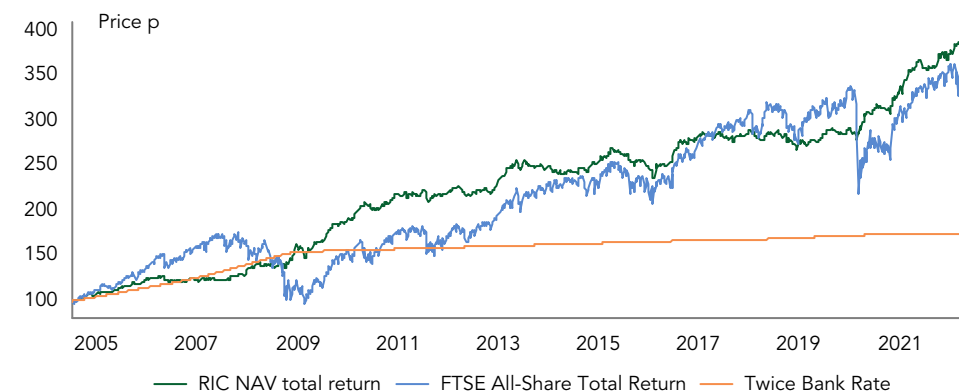
Looking at June in isolation this extreme defensiveness was not enough. The only large positive contribution (+1%) came from the credit protections (these express a bearish view on corporate bonds) and the protective options (these express a bearish view on equity markets and interest rates), showing once again the importance of unconventional assets. Equities detracted around 2.5% from performance, with the allocation to Alibaba the only bright spot. Gold exposure and inflation-linked bonds accounted for most of the remaining negative performance.

In an episode of surprising and persistently high inflation, no allocation to risk escapes repricing. This has become clear to public market investors this year and will become clear to private market investors when their asset managers deign to reprice their private assets accurately (our bet: 2025). An allocation to cash is an underrated decision in such an environment because it offers the certainty of a slow loss. We have talked previously about putting the portfolio into a 'crouched' position –we are now unequivocally flat on the ground as bullets whizz overhead.

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 June 2022	p
June 2022	-2.1	-6.8	Share price	300.00
Year to date	2.5	2.9	Net Asset Value (NAV) per share	293.36
1 year	6.0	6.2		%
3 years	34.5	43.4	Premium/discount to NAV	2.3
5 years	34.3	33.3	NAV total return since inception ²	281.0
10 years	73.0	71.7	Standard deviation ³	1.86
			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 30 Jun 2022

Asset allocation



Asset allocation	%
● Illiquid strategies and options	17.5
● Short-dated bonds	11.8
● Cash	11.7
● Index-linked gilts	9.0
● Long-dated index-linked gilts	8.8
● Gold exposure and gold equities	8.2
● Non-UK index-linked	6.2
● Global funds	0.4
● UK equities	12.2
● North America equities	5.4
● Japan equities	5.4
● Europe equities	3.0
● Asia ex-Japan equities	0.4

Currency allocation	%
● Sterling	74.0
● Yen	8.6
● Australian dollar	6.1
● Euro	3.1
● US dollar	1.4
● Other	6.8

Currency allocation



10 largest equity holdings*

Stock	% of fund
BP	2.4
Cigna	1.1
Mitsubishi UFJ Financial Group	1.0
ORIX	0.8
Shell	0.7
Vodafone Group	0.5
Volkswagen	0.5
Hipgnosis Songs Fund	0.5
Chesapeake Energy	0.5
UniCredit	0.5

5 largest bond holdings

Stock	% of fund
US Treasury 0.625% TIPS 2023	5.1
UK Treasury index-linked 0.125% 2024	3.7
UK Treasury index-linked 1.875% 2022	3.5
US Treasury FRN 2024	3.2
US Treasury FRN 2023	3.0

*Excludes holdings in pooled funds

Source: Ruffer LLP.

Pie chart totals may not equal 100 due to rounding.

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NAV £947.6m Market capitalisation £969m Shares in issue 323,002,764

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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Enquiries

Ruffer AIFM Ltd +44 (0)20 7963 8218
 80 Victoria Street rif@ruffer.co.uk
 London SW1E 5JL ruffer.co.uk

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 31 May 2022, assets managed by the group exceeded £26.6bn.