

Ruffer Investment Company Limited

An alternative to alternative asset management



January 2023 Issue 212

January was an extremely strong month for almost all asset classes – the best start to the year for US and European equity markets since 2019 and 2015 respectively. Bonds rallied strongly as well. Indeed, the only major asset that did not rise in January was oil.

What drove such a strong month? The answer lies in the market’s expectations of future events and how they have changed since October. Three factors matter most: firstly, a more emollient tone from the Federal Reserve in the US. As inflation and economic data has softened, and the Federal Reserve has reflected this by slowing the pace of interest rate hikes, the market has moved quickly to rule out the possibility of the US being driven into a significant recession.

Secondly, the warm winter in Europe has allowed energy prices to fall dramatically (European gas prices have now fallen 85% from their peak in August) and thus eliminate the concerns over European stagflation. And finally, the chaotic and rapid Chinese reopening has driven up market expectations of global economic growth in 2023, particularly in those spots where it was weakest such as European manufacturing and Chinese real estate.

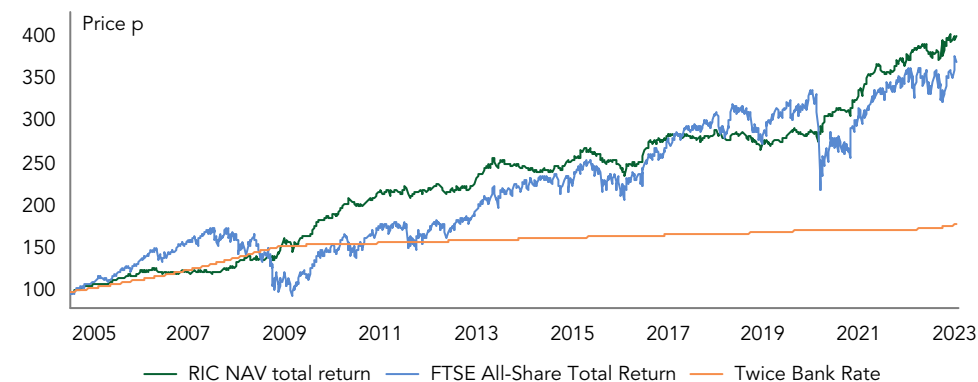
All this contributed to a rapid reduction in fears of possible ‘bad outcomes’ for the market, and this has been reflected in a massive 50% decline in equity volatility and a 40% decline in bond volatility since October, accelerating in January and supporting a huge increase in risk-taking in the financial system. All the assets which performed worst last year have performed best so far this year, from cryptocurrencies to the 60/40 balanced portfolio.

The fund’s risk assets have participated in this rally, but the protection assets have almost entirely cancelled that out. Ultimately, we don’t think the major asset classes have repriced sufficiently to reflect a (US) risk-free rate of 4.5% or higher, meaning that we see few good risk-reward opportunities. The market is salivating at the prospect of Federal Reserve interest rate cuts beginning in the summer; it might be right, but the rally means that it will now be painful if the cuts aren’t delivered. We remain defensively positioned and think it prudent to watch proceedings from the sidelines: our focus is on balancing the portfolio to make sure it retains its ability to protect capital in the drawdown that we expect will be visible later in the year. Better to live to fight another day!

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 January 2023	p
January 2023	-0.3	0.8	Share price	313.50
Year to date	-0.3	0.8	Net Asset Value (NAV) per share	306.82
1 year	6.8	5.5		%
3 years	40.0	47.8	Premium/discount to NAV	2.2
5 years	39.9	38.8	NAV total return since inception ²	300.2
10 years	67.5	69.8	Standard deviation ³	1.85
			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 45.0p of dividends ³Monthly data (total return NAV)

12 month performance to December %	2018	2019	2020	2021	2022
RIC NAV total return	-6.0	8.4	13.5	12.0	8.0
FTSE All-Share Total Return	-9.5	19.2	-9.8	18.3	0.3
Twice Bank Rate	1.2	1.5	0.5	0.2	2.9

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 Jan 2023

Asset allocation



Asset allocation	%
Short-dated bonds	31.4
Illiquid strategies and options	13.8
Non-UK index-linked	9.1
Index-linked gilts	8.8
Long-dated index-linked gilts	6.2
Gold exposure and gold equities	4.7
Cash	3.1
Global funds	1.2
UK equities	7.6
Commodity exposure	5.7
North America equities	3.7
Europe equities	2.3
Japan equities	1.6
Asia ex-Japan equities	0.4
Other equities	0.3
Currency allocation	%
Sterling	64.3
US dollar	14.3
Yen	9.1
Australian dollar	6.6
Euro	2.2
Other	3.5

Currency allocation



10 largest equity holdings*

Stock	% of fund
BP	1.8
Mitsubishi UFJ Financial Group	0.5
Sony	0.4
Shell	0.4
Haleon	0.4
Fujitsu	0.4
Ambev SA	0.3
Trident Royalties	0.3
Hipgnosis Songs Fund	0.3
Amazon	0.3

5 largest bond holdings

Stock	% of fund
UK Treasury index-linked 0.125% 2024	8.8
US Treasury FRN 31 Jan 2024	6.4
US Treasury FRN 31 Oct 2023	6.0
US Treasury 0.625% TIPS 2023	5.5
US Treasury FRN 31 Oct 2024	4.2

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

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NAV £1,140m Market capitalisation £1,164.9m Shares in issue 371,567,764

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 30 June 2022

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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.



Jasmine Yeo

INVESTMENT MANAGER

Joined Ruffer in 2017, having graduated with a degree from Warwick Business School. She is a member of the CISI, following completion of the CISI Masters in Wealth Management. She has managed private client portfolios and now works with wealth managers and advisors as part of Ruffer's UK wholesale team. She is co-manager of one 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 December 2022, assets managed by the group exceeded £26.3bn.