

# Ruffer Investment Company Limited

An alternative to alternative asset management



February 2023 Issue 213

February saw the return of a ‘good news is bad news’ dynamic in markets as a string of positive economic surprises out of the US reignited concerns about inflation and, with it, expectations of more central bank rate hikes. This meant January’s Goldilocks ‘soft landing’ became February’s ‘no landing’ – a scenario in which growth remains stronger for longer, forcing interest rates to remain higher for an extended period. This was painful for most assets, with bonds suffering the most severe whiplash as global bonds followed up their best (ever) January with their worst February performance since 1990.

Whilst the bond market adjusted in real time, with yields and short-term inflation expectations rising over the month as markets priced interest rates in the US to reach 5.5% by the end of the summer (up from 4.9% at the start of the month), equities remained remarkably sanguine. At least until Valentine’s Day brought stronger than expected US inflation data, hitting January’s equity darlings as rate-sensitive names fell furthest (the Nasdaq fell 6.9% on the month). Against this backdrop of rising yields, the fund’s long-dated inflation-linked bonds suffered, as they were not met with a commensurate rise in longer term inflation expectations. Gold, which had the additional headwind of a rising US dollar, also detracted from performance. Our protective assets offered little help as volatility and credit spreads remained subdued. Whilst a falling oil price over the period was reflected in the negative contribution from our commodity exposure, the fund’s energy equities made positive returns.

The question now is whether this is just a blip in this year’s risk rally, or a sign of things to come. So far, a confluence of factors has created a tactical runway for markets in the coming months. These include China re-opening, a European energy-driven rebound, US consumer resilience and positive liquidity from central banks in China, Japan, and Europe. In light of this we have used the recent weakness to add to some of our risk assets, primarily via China sensitive equities and commodities. However, we do not view this set up as sustainable for 2023 as a whole, and our positioning continues to be informed by three essential judgements: inflation can’t fall back to target without recession, recession won’t come without tightening financial conditions, and we won’t get tighter financial conditions unless central banks are hawkish.

We are already seeing evidence a global growth rebound is inconsistent with sustained disinflation. With Fed officials having now put a 50 basis point hike back on the table, we expect both fundamentals and liquidity conditions to be challenged in the second half of the year. Hence, we have used this year’s decline in volatility (equity and credit) to dial up the protection in the portfolio, using VIX calls again for the first time since 2020. What’s more, equity risk premiums remain extremely depressed (at the time of writing, the yield on a six month treasury bill exceeds the earnings yield on the S&P 500) and thus our overall allocation to risk assets remains low in favour of the optionality of cash.

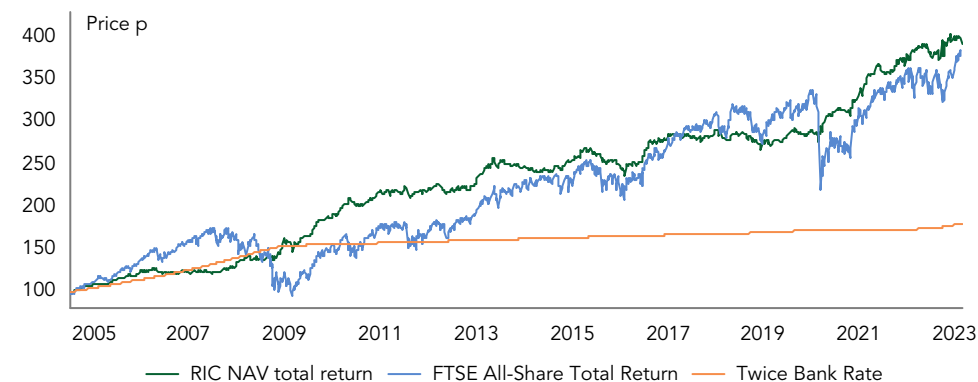
The danger today is the equity market had a narrative that it is now reluctant to abandon. We, the Fed and the bond market, it seems, have Keynes in our minds: “When the facts change, I change my mind – what do you do, sir?” So far equity markets and many investors, do not.

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 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 28 February 2023                        | p             |
|---------------|-----------------|-------------|---|---------------|
| February 2023 | -1.9            | -1.3        | <b>Share price</b>                            | <b>309.50</b> |
| Year to date  | -2.2            | -0.5        | <b>Net Asset Value (NAV) per share</b>        | <b>301.10</b> |
| 1 year        | 2.1             | 1.7         |   | %             |
| 3 years       | 41.0            | 52.9        | Premium/discount to NAV                       | 2.8           |
| 5 years       | 38.7            | 40.6        | NAV total return since inception <sup>2</sup> | 292.8         |
| 10 years      | 62.6            | 62.1        | Standard deviation <sup>3</sup>               | 1.85          |
|               |                 |             | 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 45.0p of dividends <sup>3</sup>Monthly 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 Investment Company Limited as at 28 Feb 2023

## Asset allocation



| Asset allocation                | %    |
|---------------------------------|------|
| Short-dated bonds               | 30.5 |
| Illiquid strategies and options | 14.0 |
| Index-linked gilts              | 7.9  |
| Non-UK index-linked             | 7.4  |
| Long-dated index-linked gilts   | 5.6  |
| Gold exposure and gold equities | 4.6  |
| Cash                            | 1.3  |
| Commodity exposure              | 8.9  |
| UK equities                     | 8.6  |
| North America equities          | 3.5  |
| Asia ex-Japan equities          | 2.8  |
| Europe equities                 | 2.7  |
| Japan equities                  | 1.9  |
| Other equities                  | 0.4  |
| Currency allocation             | %    |
| Sterling                        | 61.7 |
| US dollar                       | 16.4 |
| Yen                             | 9.2  |
| Australian dollar               | 6.4  |
| Euro                            | 2.8  |
| Other                           | 3.5  |

## Currency allocation



## 10 largest equity holdings\*

| Stock                                 | % of fund |
|---------------------------------------|-----------|
| iShares MSCI EM Asia UCITS ETF        | 1.9       |
| BP                                    | 1.9       |
| Shell                                 | 0.8       |
| Mitsubishi UFJ Financial Group        | 0.5       |
| Taiwan Semiconductor Manufacturing Co | 0.5       |
| Sony                                  | 0.4       |
| Ambev SA                              | 0.4       |
| Haleon                                | 0.4       |
| Trident Royalties                     | 0.4       |
| Hipgnosis Songs Fund                  | 0.3       |

## 5 largest bond holdings

| Stock                                | % of fund |
|--------------------------------------|-----------|
| UK Treasury index-linked 0.125% 2024 | 7.9       |
| US Treasury FRN 31 Jan 2024          | 6.2       |
| US Treasury FRN 31 Oct 2023          | 5.4       |
| US Treasury FRN 31 Oct 2024          | 4.3       |
| US Treasury 0.625% TIPS 2023         | 3.9       |

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

NAV £1,131.6m Market capitalisation £1,163.2m Shares in issue 375,817,764

## 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.



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## Ruffer LLP

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