

Ruffer Investment Company Limited

An alternative to alternative asset management



April 2023 Issue 215

Despite ongoing stresses in the US banking system, asset markets collectively shrugged their shoulders in April. According to Deutsche Bank, despite the second largest ever banking failure in the US, it was in fact the least volatile month since the pandemic. It won't surprise that we are not so sanguine.

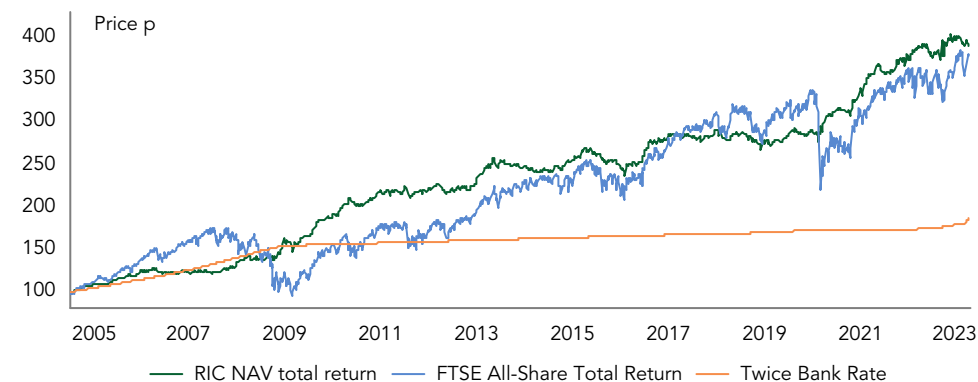
Banking crises always lead to credit contractions. We are seeing this play out now: National Federation of Independent Business small business credit conditions are approaching GFC levels, whilst both the Fed Beige Book and the Senior Loan Officer Opinion Survey are signalling further declines in credit availability coming down the tracks. What is particularly pernicious today is the additional undermining of trust in the security of deposits. This is where the banking crises of March intersect with our fears of an asset market liquidation. As a reminder, central to the argument was that changes in the size and composition of the Fed's balance sheet would be damaging to asset markets. On the one hand, we have seen an immediate (but supposedly temporary) increase in the size of the Fed's balance sheet. On the other hand, a light has been shone on the relative danger of uninsured banking deposits compared to government backed money market funds. Given the fact that the increased safety of the latter actually comes with a higher interest rate, we expect deposit flight from banks to continue despite continued efforts to reinforce the regulatory system. Not only will this lead to further scrutiny of the increasing levels of taxpayer deposit guarantees, but it will continue to undermine the ability of commercial bank balance sheets to act as a shock-absorber for any distress in financial markets.

At Ruffer, we always aim to create a portfolio that is robust to multiple future pathways. The fine line between monetary and financial stability is central to how the portfolio is positioned today. If the Federal Reserve prioritises financial stability concerns, continues to expand its balance sheet and sets the scene for interest rate cuts before inflation is wrung out of the system, then we enter the next phase of the inflationary regime. Under this scenario our portfolio allocations to inflation-linked bonds, gold and commodities should get an immediate tailwind. However, if the Federal Reserve continues to focus on bringing inflation down through monetary tightening, then we fear that liquidation risk comes to the fore. If interest rates remain where they are, let alone go higher, and quantitative tightening continues (proving the recent central bank balance sheet expansion to be as temporary as originally claimed), then the painful chokehold of the interest rate squeeze will continue. In this environment, the portfolio is protected by its low equity weight (both gross and net) and potent protections against likely distress in credit markets.

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 April 2023 | p |
|---------------|-----------------|-------------|---|---------------|
| April 2023 | -2.4 | -1.9 | Share price | 302.00 |
| Year to date | -3.6 | -2.5 | Net Asset Value (NAV) per share | 295.57 |
| 1 year | -0.5 | -5.4 | | % |
| 3 years | 26.1 | 29.9 | Premium/discount to NAV | 2.2 |
| 5 years | 36.8 | 38.7 | NAV total return since inception ² | 287.3 |
| 10 years | 53.8 | 53.1 | 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 46.4p of dividends ³Monthly data (total return NAV)

| 12 month performance to March % | 2019 | 2020 | 2021 | 2022 | 2023 |
|---------------------------------|------|-------|------|------|------|
| RIC NAV total return | -0.6 | 4.3 | 22.7 | 9.8 | 1.4 |
| FTSE All-Share Total Return | 6.4 | -18.5 | 26.7 | 13.0 | 2.9 |
| Twice Bank Rate | 1.3 | 1.4 | 0.2 | 0.4 | 4.7 |

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. The dividend paid by the Company on 7 March 2023 was erroneously omitted from monthly investment report performance calculations in March and April 2023, leading to past performance figures being understated by a non-material amount in those two reports. This has been rectified in this report.

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 28 Apr 2023

Asset allocation



Asset allocation

| | % |
|---------------------------------|------|
| Short-dated bonds | 28.9 |
| Illiquid strategies and options | 15.6 |
| Cash | 8.6 |
| Non-UK index-linked | 7.5 |
| Gold exposure and gold equities | 7.2 |
| Long-dated index-linked gilts | 6.7 |

| | |
|------------------------|-----|
| Commodity exposure | 9.2 |
| UK equities | 7.3 |
| North America equities | 3.3 |
| Europe equities | 2.3 |
| Japan equities | 2.1 |
| Asia ex-Japan equities | 1.0 |
| Other equities | 0.4 |

Currency allocation

| | % |
|-------------------|------|
| Sterling | 71.0 |
| Yen | 15.5 |
| US dollar | 4.3 |
| Australian dollar | 4.2 |
| Euro | 0.2 |
| Other | 4.8 |

Currency allocation



10 largest equity holdings*

| Stock | % of fund |
|---------------------------------------|-----------|
| Shell | 0.9 |
| Mitsubishi UFJ Financial Group | 0.6 |
| BP | 0.6 |
| Bayer AG | 0.5 |
| Fujitsu | 0.5 |
| Taiwan Semiconductor Manufacturing Co | 0.5 |
| Sony | 0.5 |
| Alibaba Group ADR | 0.4 |
| Ambev SA | 0.4 |
| Hipgnosis Songs Fund | 0.4 |

5 largest bond holdings

| Stock | % of fund |
|---------------------------------------|-----------|
| US Treasury 0.625% TIPS 2026 | 3.9 |
| US Treasury FRN 31 Oct 2024 | 3.9 |
| US Treasury FRN 31 Jan 2024 | 3.9 |
| UK Treasury index-linked 0.125% 2073 | 3.6 |
| Japanese govt bonds 0.005% 1 Jul 2024 | 3.3 |

*Excludes holdings in Ruffer funds

Source: Ruffer LLP.

Pie chart totals may not equal 100 due to rounding.

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The portfolio data displayed is designed only to provide summary information and the report does not explain the risks involved in investing in this product. Any decision to invest must be based solely on the information contained in the Prospectus and the latest report and accounts. The Key Information Document is provided in English and available on request or from www.ruffer.co.uk.

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NAV £1,129.1m Market capitalisation £1,156m Shares in issue 382,767,764

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 | Apex Fund and Corporate 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 March 2023, assets managed by the Ruffer Group exceeded £26.5bn.