

Ruffer Investment Company Limited

An alternative to alternative asset management



August 2021 Issue 195

During August the Company's net asset value (NAV) rose by 0.3% as the share price rose by 0.7%. This compared with a rise of 2.7% in the FTSE All-Share total return index.

In reviewing the month just gone there has been no predominant driver for our performance. Equities have provided a small positive return with the beneficiaries of reflation (and economic recovery) making back some of their losses from earlier in the summer. Inflation-linked bonds were broadly flat for the month after a last day fall of some 5% in the longest dated bonds in the UK. The fall was catalysed by comments from the European Central Bank reminding us that emergency policy may not be around forever. While this does not undermine the longer-term case for inflation-linked bonds (and they have performed very strongly in the last few months), it illustrates the short term dangers that we need to guard against.

There have been two competing forces at play in August. In simple terms this is the path of liquidity in financial markets versus the fundamentals of the real economy. It will likely be the interplay between these two forces that will dictate the path of markets for the remainder of the year.

Taking liquidity first. Financial conditions have remained plentiful, something most clearly illustrated by the fact that monthly inflows into equity funds in August exceeded the annual inflows for 13 out of the last 20 years - and this is during a month that is usually characterised by outflows. The market appears to have taken comfort from Jay Powell's comments at the Jackson Hole symposium that tapering will be gradual and that rates will remain nailed to the floor for some time. We agree that liquidity conditions will remain supportive, but we need to be cognisant of the risks of rising yields once the perennial buyer (central banks) steps away even marginally. For that reason, we have used the strong performance in bond markets in recent months to reduce the Company's duration to close to zero. Any rise in bond yields has the potential to be disruptive, therefore having a full allocation to swaptions (as we did throughout the first quarter) will likely be helpful for the remainder of the year. Although bond yields may not rise substantially, the extent to which the market is assuming they will not rise at all presents a risk - it is the certainty that is currently priced in which causes us concern.

The path of economic fundamentals has most obviously been influenced by the path of the delta variant. The data in Europe and the UK remains more encouraging than the US, but in both geographies we would argue that fears are likely overdone and the political appetite for widespread lockdowns is low. In that context the economic impulse through the remainder of the year could be very powerful. It is for this reason that we reinforced exposure to cyclical equities (primarily through energy companies) during the month.

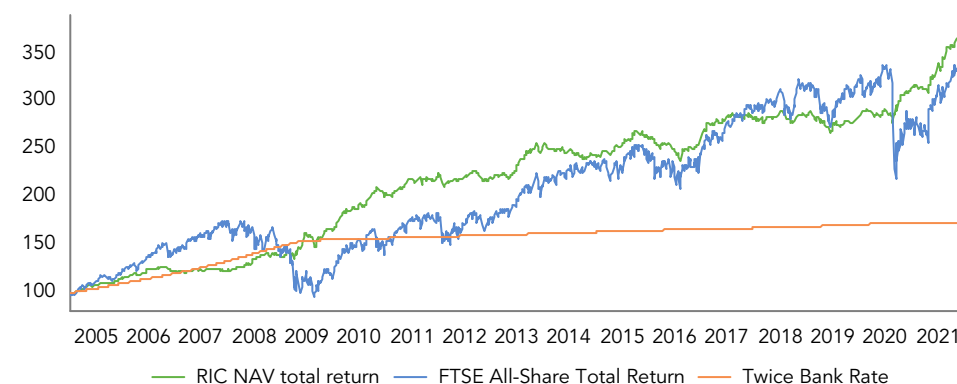
Finally, when looking at the make-up of our equities healthcare remains a large allocation; the third largest after financials and energy. This sector looked undervalued during the presidential election when there were fears that a Democratic president would push for significant reform. With Biden's approval rating now dropping below that of Donald Trump at the end of his presidency, wide-ranging reform looks even less likely and these companies could re-rate and perform well.

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 Bank Rate by investing predominantly in internationally listed or quoted equities or equity related securities (including convertibles) or bonds which are issued by corporate issuers, supranationals or government organisations.

Performance since launch on 8 July 2004



Performance %	Net Asset Value	Share price	As at 31 August 2021	p
August 2021	0.3	0.7	Share price	290.00
Year to date	8.1	10.1	Net Asset Value (NAV) per share	280.83
1 year	14.1	20.2		%
3 years	25.9	26.6	Premium/discount to NAV	3.3
5 years	28.7	34.3	NAV total return since inception ²	258.8
10 years	67.9	65.0	Standard deviation ³	1.89
			Maximum drawdown ³	-8.62

Performance calculated on a total return basis (including reinvestment of income)
²Including 40.9p of dividends ³Monthly data (total return NAV)

12 month performance to June %	2017	2018	2019	2020	2021
RIC NAV total return	8.8	0.8	-0.9	10.1	15.3
FTSE All-Share Total Return	18.1	9.0	0.6	-13.0	21.5
Twice Bank Rate	0.5	0.8	1.4	1.0	0.1

Source: Ruffer LLP, FTSE International (FTSE) †

Ruffer Investment Company Limited as at 31 Aug 2021

Asset allocation



Asset allocation	%
Long-dated index-linked gilts	11.9
Cash	10.9
Index-linked gilts	10.3
Non-UK index-linked	6.9
Gold and gold equities	6.9
Illiquid strategies and options	5.3
Short-dated bonds	4.6
UK equities	21.6
Japan equities	7.4
North America equities	6.4
Europe equities	6.0
Asia ex-Japan equities	0.6
Other equities	1.1
Currency allocation	%
Sterling	79.2
Gold	6.9
Yen	5.4
US dollar	4.4
Euro	1.9
Other	2.2

Currency allocation



10 largest equity holdings*

Stock	% of fund
Royal Dutch Shell	2.4
BP	2.4
Lloyds Banking Group	2.3
NatWest Group	1.6
GlaxoSmithKline	1.3
Cigna	1.3
Tesco	1.3
iShares Physical Gold	1.2
Centene	1.2
Equinor	1.1

5 largest bond holdings

Stock	% of fund
UK Treasury index-linked 0.125% 2068	5.7
UK Treasury index-linked 1.875% 2022	5.4
UK Treasury index-linked 0.125% 2065	3.8
US Treasury 0.625% TIPS 2023	3.3
UK Treasury 3.75% 2021	3.0

*Excludes holdings in pooled funds

Source: Ruffer LLP.

Pie chart totals may not equal 100 due to rounding.

NAV £607.3m Market capitalisation £627.1m Shares in issue 216,248,416

Company information

Annual management charge (no performance fee)	1.0%		
Ongoing Charges Figure*	1.09%		
Ex dividend dates	March, September		
NAV valuation point	Weekly, every Tuesday and the last business day of the month		
Stock ticker	RICA LN		
ISIN	GB00B018CS46	SEDOL	B018CS4
Administrator	Praxis Fund Services 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		

* As at 31 December 2021

† © FTSE 2021. 'FTSE®' is a trade mark of London Stock Exchange Group companies and is used by FTSE under licence. All rights in the FTSE Data vest in FTSE and/or its licensors. Neither FTSE nor its licensors accept any liability in relation to the FTSE Data data. No further distribution of FTSE Data is permitted without FTSE's express written consent.

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 Glasgow University School of Law in 2007 and spent four years working at Barclays in Glasgow, London and Singapore. He is a CFA charterholder and is co-manager of Ruffer Investment Company.



The views expressed in this report are not intended as an offer or solicitation for the purchase or sale of any investment or financial instrument. The views reflect the views of RAIFM at the date of this document and, whilst the opinions stated are honestly held, they are not guarantees and should not be relied upon and may be subject to change without notice.

The information contained in this document does not constitute investment advice and should not be used as the basis of any investment decision. References to specific securities are included for the purposes of illustration only and should not be construed as a recommendation to buy or sell these securities. RAIFM has not considered the suitability of this investment against any specific investor's needs and/or risk tolerance. If you are in any doubt, please speak to your financial adviser.

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.

Issued by Ruffer AIFM Limited (RAIFM), 80 Victoria Street, London SW1E 5JL. RAIFM is authorised and regulated by the Financial Conduct Authority. © RAIFM 2021

Enquiries

Ruffer AIFM Ltd	+44 (0)20 7963 8254
80 Victoria Street	rif@ruffer.co.uk
London SW1E 5JL	www.ruffer.co.uk

Ruffer LLP

The Ruffer Group manages investments on a discretionary basis for private clients, trusts, charities and pension funds. As at 31 July 2021, assets managed by the group exceeded £22.7bn.