Ruffer Investment Company Limited

Investment Manager's Year End Review
for the year ended
30 June 2024 (unaudited)

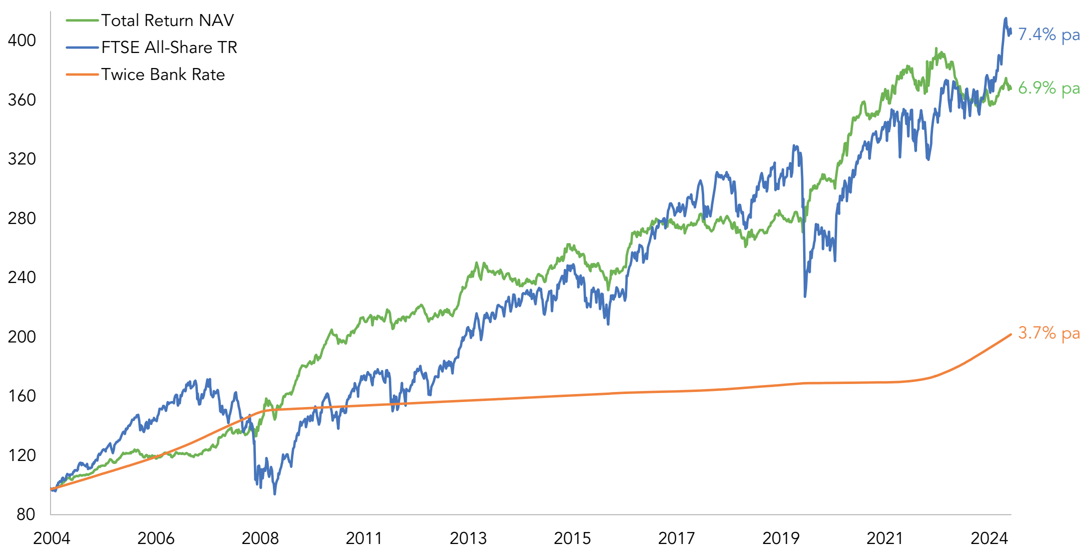
Contents

Key performance indicators	30 Jun 2024 %	30 Jun 2023 %
Share price total return over 12 months[1]	(0.6)	(7.2)
NAV total return per share over 12 months[1]	1.0	(1.7)
(Discount)/premium of share price to NAV	(5.0)	(3.1)
Dividends per share over 12 months[2]	3.65p	2.60p
Annualised dividend yield[3]	1.4	0.9
Annualised NAV total return per share since launch[1]	6.9	7.2
Ongoing charges ratio[4]	1.06	1.07

Financial highlights	30 Jun 2024	30 Jun 2023
Share price	270.50p	276.00p
NAV as calculated on an IFRS basis	£1,019,739,475	£1,092,040,335
NAV as reported to the LSE	£1,019,442,838	£1,096,014,803
Market capitalisation	£968,221,652	£1,058,509,029
Number of shares in issue	357,937,764	383,517,764
NAV per share as calculated on an IFRS basis	284.89p	284.74p
NAV per share as reported to the LSE	284.81p	285.78p

1 Assumes reinvestment of dividends
2 Dividends paid during the period
3 Dividends paid during the period divided by closing share price
4 Calculated in accordance with AIC guidance

PERFORMANCE TO 30 JUNE 2024



Source: RAIFM Ltd, FTSE International, data to 30 June 2024. All figures include reinvested income. Ruffer performance is shown after deduction of all fees and management charges. Performance data is included in the appendix.

Investment Manager's report

Performance review

The net asset value (NAV) total return for the financial year to 30 June 2024 was +1.0% and the share price total return was -0.6%.

The NAV total return for the six months to 30 June 2024 was +0.4% and the share price total return was -0.9%.

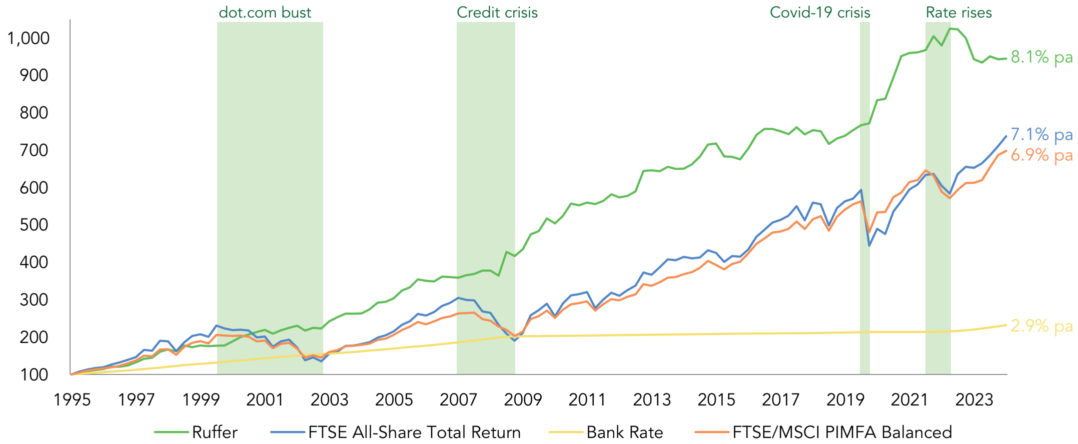
The period end approaches the twentieth anniversary of the launch of Ruffer Investment Company. The annualised NAV total return since inception of the Company in 2004 is 6.9%. The total return since inception of the Company is 278.1%. Over the same time period, the FTSE All-Share has achieved an annualised return of 7.4%.

The gap between the share price and the NAV total return numbers are driven by the Company moving from a discount of -3.4% at 30 June 2023 to a discount of -5.0% at 30 June 2024.

Ruffer LLP is also celebrating a birthday this year, turning 30. Not many single-strategy investment firms reach a fourth decade, and it is worth a brief detour to survey the highlights and lowlights.

One of the most attractive characteristics that Ruffer has brought to investor portfolios is not just equity-like returns with bond-like volatility, but the Ruffer portfolio has also delivered positive returns in each of the four major crises since the firm began (shaded in green). By delivering true diversification and protection at moments of market stress we have consistently proven ourselves as a useful asset for investor portfolios.

RUFFER LONG-TERM PERFORMANCE NET OF FEES



Source: Ruffer, FTSE International, Bloomberg, MSCI, WM. Cumulative performance 30 June 1995 to 30 June 2024, in pounds sterling. Performance data is included in the appendix. All figures include reinvested income. All mentions of Ruffer performance refer to Ruffer's representative portfolio, which is an unconstrained segregated portfolio following Ruffer's investment approach. Ruffer performance is shown after deduction of all fees and management charges. Calendar quarter data has been used up to the latest quarter end and monthly data thereafter. FTSE/MSCI Balanced data prior to 28 Feb 2017 refers to the FTSE WMA Balanced Index and after 1 Mar 2017 refers to the MSCI PIMFA Balanced index. Performance prior to 1 July 2022 has been calculated using monthly data points, and thereafter using daily data points. More information: ruffer.co.uk/methodology

Across our 30 year history, we have been good at diagnosing the fault lines and fragilities in markets, but as Jonathan Ruffer said in his latest quarterly investment review – "in each and every one, we were too early – in 2000, it was 14 months, in 2008, it was a full two years, in 2020, it was at least two years, and this time it is 18 months at a minimum. In each case, we had correctly identified the nature of the crisis".

The first six months of 2024 felt like a continuation of 2023. Markets rallied to all-time highs on a tide of AI-fuelled optimism, a US led fiscal boom, and a belief that the Fed is willing to be supportive of markets is back. Global markets were once again led higher by US exceptionalism and by the 'Magnificent Seven' in particular. Importantly though, the Ruffer portfolio exhibited a better balance in the first six months of 2024 than in 2023. Our growth assets in equities and commodities kept us in the game whilst our protection assets continued to hold the portfolio back.

Looking forward, we are excited about the opportunity we see in front of us. We believe investors are complacent and we have arguably never seen an equity market as crowded, narrow, and myopic as the one we see today. We think the prospective rewards, relative and absolute, for having a portfolio unlike both peers and benchmarks have never been higher. However, it comes with a large 'but' – the price you must pay is feeling uncomfortable, and lagging the herd, whilst waiting for the market to turn.

The portfolio reminds us of Hans Christian Andersen's Ugly Duckling story. It is a portfolio filled with unloved assets – shunned, even derided by other investors. But assets whose worth will become starkly apparent in time – as they turn to swans – and combine to provide strong and highly differentiated returns when the market environment changes.

Premium/discount

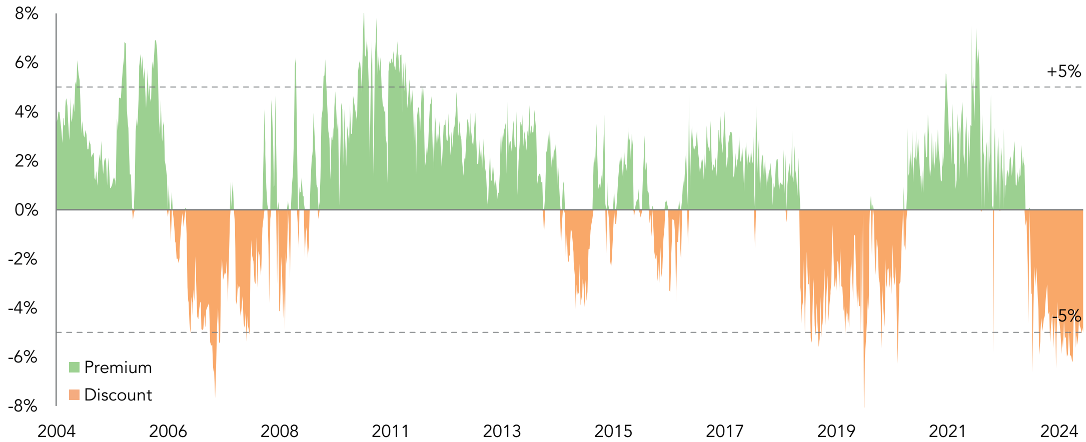
The Board has been deliberate in its use of buybacks to manage the discount.

In the six months to 30 June 2024, the Company has purchased 25.4 million shares for a total of around £68.2m, which equates to 6.6% of the shares outstanding. These purchases have added 0.4% to the company NAV. If this pace is maintained through the balance of the year, Ruffer Investment Company will have one of the most significant capital returns policies in the industry. The Company purchasing its own shares at a discount to NAV enhances NAV per share for ongoing shareholders and offers liquidity to departing shareholders.

RUFFER INVESTMENT COMPANY PERFORMANCE IN NAV AND PRICE TERMS

Source: RAIFM Ltd, FTSE International, data to 30 June 2024. All figures include reinvested income. Ruffer performance is shown after deduction of all fees and management charges. Performance data is included in the appendix.

SHARES HAVE HISTORICALLY TRADED AT A PREMIUM



Source: RAIFM Ltd

Attribution

Performance contributions for 12 months

The pleasing element of the last 12 months is that we have maintained the level of protection in portfolios but, in contrast to the second quarter of 2023, the growth assets have contributed to ensure that performance has held steady.

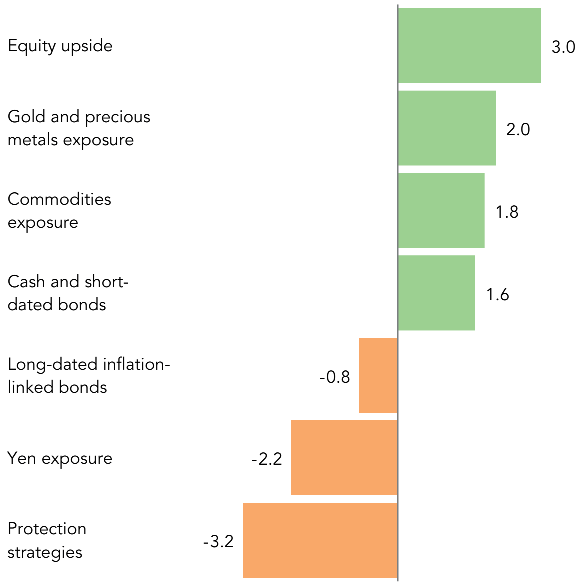
The largest cost to the portfolio remains the equity downside and credit protections, costing over -3% as markets have continued to move higher, albeit in increasingly narrow fashion. This meant that assets held to benefit from a fall in equity indices and an increase in volatility, were not required. Similarly, despite cracks appearing in the US economy (the US's Senior Loan Officer Opinion Survey revealed the net percentage of banks seeing stronger loan demand is at a 30-year low and credit card and auto loan delinquencies are at levels last seen in the GFC), credit markets remained benign meaning our exposure to credit default swap strategies also fell in value.

Though we were able to deliver positive performance from successfully trading long-dated inflation linked (and nominal) bonds over the fourth quarter, in aggregate, bonds suffered (costing the portfolio -0.8%) as inflation-adjusted interest rates continued to rise. The other main detractor was the yen which continued to weaken, falling -11% versus sterling over the period, costing the portfolio -2.2%. We continue to hold the currency in size in anticipation of a more meaningful policy shift from the Bank of Japan (which appears a matter of when rather than if given the domestic backlash from their newfound inflation) as well as for its protective characteristics in market crises.

In terms of positive contributions, our equity exposure delivered +3.0% in aggregate, driven by some exposure to the AI theme via Amazon (+48%) and TSMC (+71%) alongside strong bottom-up stock picks such as Rolls Royce (+202%) and a basket of US banks. This was supported by our tactical increases in equity during November as well as the start of 2024 via S&P call options, which contributed +0.9% over the period.

Most importantly our commodity exposure, a key offset in the portfolio and held to drive returns in an environment of robust fundamentals and rising bond yields, delivered across oil, copper and uranium exposure, with our holding in a brent oil ETC being the largest individual asset contributor (+1.1%). Finally, as rates remain elevated, the portfolio's US floating rate notes (FRNs) and short-dated UK government bonds made a meaningful contribution (+1.6%) to returns.

PERFORMANCE ATTRIBUTION 30 JUN 2023 TO 30 JUN 2024 (TWELVE MONTHS)



Source: RAIFM Ltd, data June 2023 to June 2024. Returns in local currency and gross of fees so will not total actual performance

Performance contributions for six months

The fund also delivered a positive performance over the six-month period, which was pleasing against a rising equity market given our defensive posture.

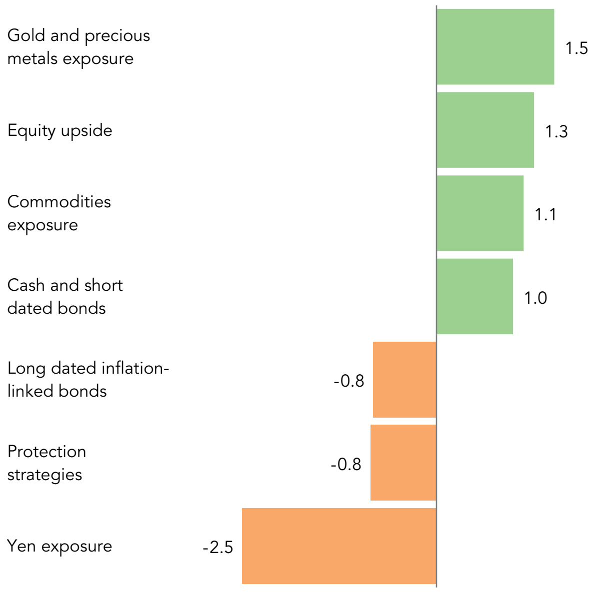
The performance drivers over the second half of the period look similar to the first; but with a bright spot for the derivative protections that came in April as markets wobbled on concerns of sticker inflation and higher-for-longer rates. This meant that whilst, overall, these assets dragged performance as a robust economy combined with the expectation of interest rate cuts allowed equity markets to continue their upward march and credit spreads to narrow, the cost to the portfolio (-0.8%) was significantly less than the prior six months.

The Yen was particularly painful in the first six months of 2024 (costing -2.5%), despite intervention by Japan's Ministry of Finance, as investors shifted expectations of US interest rate cuts from six to two, widening the interest rate differential across the Pacific. This dynamic, driven by continued economic strength and persistent inflation, also hurt our index-linked bonds, given their long-dated nature and therefore interest rate sensitivity.

On the other side of the ledger, our equity exposure profited from the rally (adding +1.3% to performance) and was boosted by additions to equity call options in January. Top performers over the second half of the year included TSMC (+64%), General Electric (+56%) and our basket of investment trust holdings including Hipgnosis Songs Fund, Trident Royalties, Taylor Maritime and Tufton Oceanic Assets that added +0.4% to performance.

Again, our commodity exposure had a key role to play, as gold reached new highs, on the surface in reaction to inflation and geopolitical concerns but perhaps also sniffing out the coming era of fiscal dominance. We captured the rally, having built our precious metals exposure to more than 8% by the end of March via a mixture of gold mining equities, silver bullion and latterly platinum exposure (all catch plays on the move in the yellow metal), contributing +1.5% in aggregate.

PERFORMANCE ATTRIBUTION 31 DEC 2023 TO 30 JUN 2024 (SIX MONTHS)



Source: RAIFM Ltd, data December 2023 to June 2024. Returns in local currency and gross of fees so will not total actual performance

Portfolio changes

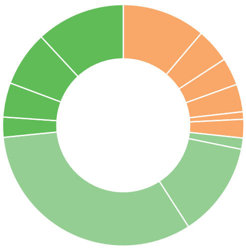
The portfolio remained defensive over the whole period, given our continued conviction that the path for a soft landing is narrow, and the risks of a correction in equity and credit markets high given the level of real interest rates alongside the uncertainty driven by elections, central bank policy decisions, liquidity risks, and a softening US economy. Crucially, we were able to protect and deliver a small positive NAV total return despite our caution thanks to the improved portfolio balance over the period, driven by proactive action in capturing opportunities presenting themselves on both sides (protection and growth) of the ledger.

Adding duration in the fourth quarter, as long-end yields breached 5% in the UK and the US, gave us a positive calendar year-end. We took profits in the bonds as they rallied in November, decreasing the portfolio's interest rate sensitivity back to where it was at the end of the summer, wary of interest rate volatility and the unrealistic expectation of six interest rate cuts, as was priced by the end of 2023.

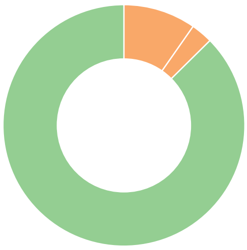
Proactive management of the portfolio's commodity and precious metals exposure also drove returns, particularly our activity over the last four months of the period where, having hit a new all-time high, we played the gold price remaining at elevated levels or moving higher through the addition of gold mining equities, silver and platinum exposure. Historically, these assets lag gold, then outperform – plus there is a strong fundamental story. The portfolio's copper exposure also saw robust gains in April and May, reaching a new all-time high, and we have since taken profits and reduced exposure as positioning became stretched.

The gross equity weight ranged from 12% to 24% over the period whilst the net (adjusting for hedges) ranged from 0% to 34%. The lows were in October and then again at the start of April – when we became more concerned with the direction of liquidity, given ongoing quantitative tightening and the end of the Bank Term Funding Programme (announced in response to the SVB crisis) and so reduced our exposure. These moves were rewarded by subsequent falls in the S&P during which the portfolio pleasingly held steady thanks to its derivative protections. Reflecting the fact that some of the risks causing the April wobble in markets subsequently passed (the Fed announced a QT taper and all but took rate hikes off the table), we re-grossed the portfolio by adding to both the equity weighting (taking it to c24%), alongside protection (at multi-decade low prices), to respect the potential for continued equity market momentum – but doing so with a crash helmet.

ASSET AND CURRENCY ALLOCATION AS AT 30 JUNE 2024



Inflation protection	%
Non-UK inflation-linked bonds long-dated	11.9
Gold and precious metals exposure	7.5
UK inflation-linked bonds long-dated	4.6
UK inflation-linked bonds short-dated	2.7
Sell-off protection	
Short-dated nominal bonds	32.4
Credit and derivative strategies	12.7
Cash	1.5
Economic growth	
UK equities	11.2
Asia ex-Japan equities	4.6
Europe equities	3.7
North America equities	3.7
Other equities	1.0
Commodity exposure	2.5



Currency allocation	%
Sterling	87.4
Yen	9.7
Other	2.9

Source: RAIFM Ltd as at 30 June 2024

1. In dark green, assets to protect against the long-term inflation volatility we expect, including inflation-linked bonds, gold and precious metals exposure
2. In light green, we have a large position in short-dated bonds and cash to provide dry powder and positive carry. Alongside, a potent allocation to derivative protections to address the risk of a sharp market decline if liquidity dries up and/or economic weakness takes hold as rates really bite
3. Last but not least, we are always asking ourselves 'what if we're wrong' to try and identify the right offsets to achieve portfolio balance. So, in orange we hold a range of equities and commodities to profit from a broader market rally and continued economic strength

Investment outlook

The Big Picture

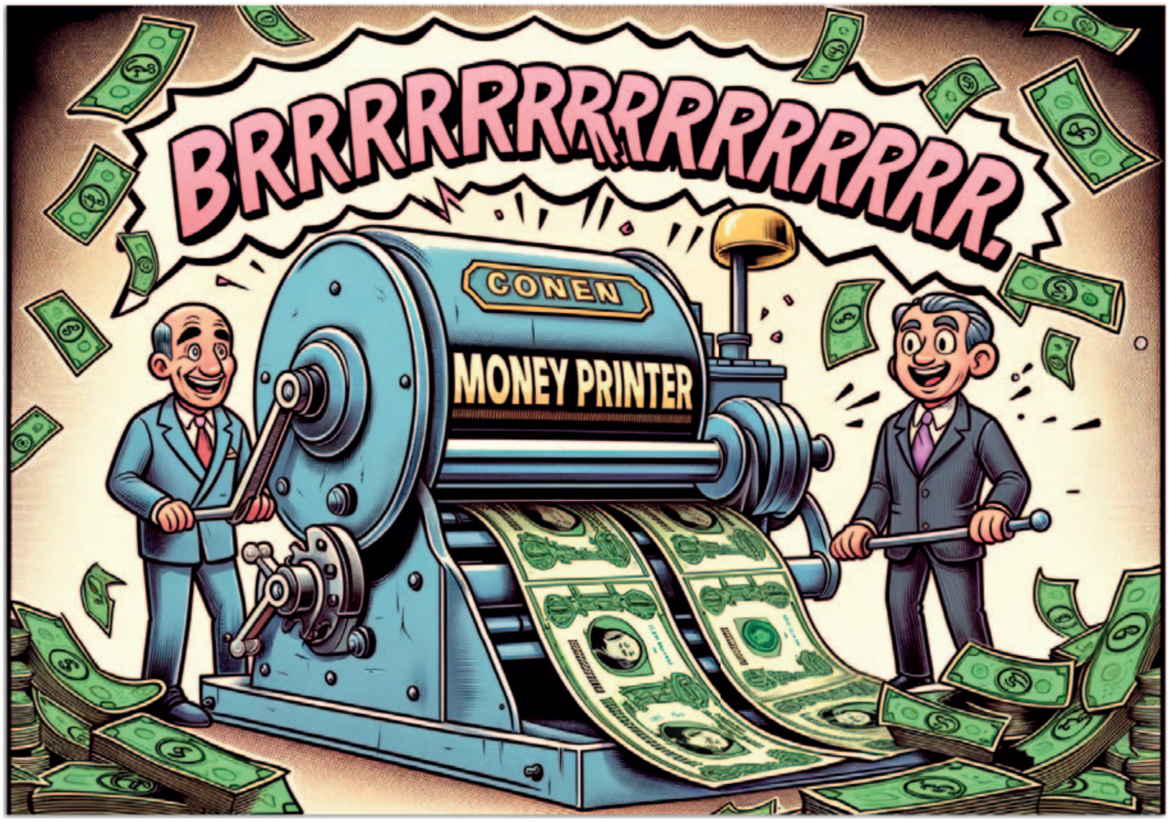
Over the past 18 months, our expectations for the global economic cycle have not yet happened. However, in our assessment, the end game is becoming ever clearer. Our structural view that the world has entered a new regime of higher and more volatile inflation remains unchanged.

It has been laid out in previous reports, and in the Ruffer Review, but the shorthand is that we have reached the end of cheap energy, cheap goods, cheap labour and cheap capital – all of which have been powerful disinflationary forces in the last couple of decades.

Government and policymakers, despite their protestations, are not serious about fiscal discipline. Normally, governments run larger deficits when the economy is weak to try and stimulate demand. Today's politicians (and the electorates which choose them) seem to believe in a magic money tree.

Unemployment is near all-time lows, workers are enjoying real wage growth, equity markets and household net-worth are at all-time highs and yet we are running fiscal deficits at levels only seen in wartime, the GFC or the pandemic. Crisis level stimulus met a boom-time market and a strong economy. Perhaps then, we should not be surprised we avoided recession last year, but we should also not be surprised when inflation remains persistent. We have now endured over 36 consecutive months of above target inflation in the US – a long time by any definition of 'transitory'. On the Fed's own forecasts headline PCE inflation will remain above target for another 18 months.

If you are running crisis level policies in the good times, what do you do when a crisis eventually appears?



This cartoon comes to mind – the bitcoiners and gold bugs are perhaps not wrong – it's not assets going up, it's money going down! Long term investors need to own what can't be printed. This leads to a preference for real assets over hyper-financialised ones.

The fly in the ointment is that inflation and inflation uncertainty are kryptonite for asset prices, particularly when the starting point for valuations is as high as it is today.

Barack Obama's advisor Rahm Emanuel repeated the line 'Never let a good crisis go to waste' in 2009 and it revealed a truth – only in a crisis does the Overton Window sufficiently expand for governments to do previously inconceivable things – think furlough schemes and direct stimulus cheques.

We think the printing press really gets going from the bottom of the next market crash or recession. That's when governments get serious about tackling the big societal issues like climate change, energy independence, reliance upon China and OPEC, inequality and crumbling infrastructure.

From a traditional portfolio construction perspective this is all problematic because government bonds, so long the safe haven, are now often the epicentre of the problems – as we saw with the Truss/Kwarteng budget in Q3 2022, the US debt sustainability wobbles of Q3 2023 and French government bond sell off in Q2 2024. Simply, supply is outstripping demand.

If the traditional safe haven asset is the problem rather than the solution to hedging a portfolio then investors need something else. This is where we think Ruffer can excel, providing true diversification and protection.

From a wall of worry to an echo bubble

We believe the bull market in equities is running out of positive surprises and that is a dangerous setup given starting valuations. There is no doubt that there was a wall of worry to be climbed since 2022 when recession and inflation fears loomed large. Since then, markets have enjoyed almost eighteen months of positive economic surprises. In the last couple of months, the data has started to come in a little softer, versus raised expectations, and there are signs of the economy slowing, as the fiscal impulse of 2023 wears off.

SURPRISES IN US DATA HAVE TURNED SHARPLY NEGATIVE

Source: Bloomberg. The surprise element is calculated as the percentage difference between the actual economic data release and the median of analysts' forecasts for that release, smoothed with a six-month delay. Data to June 2024

The danger lies in the market context – markets have looked through the weak data and fixated upon a soft landing. The wall of worry has been climbed and the bears have been vanquished.

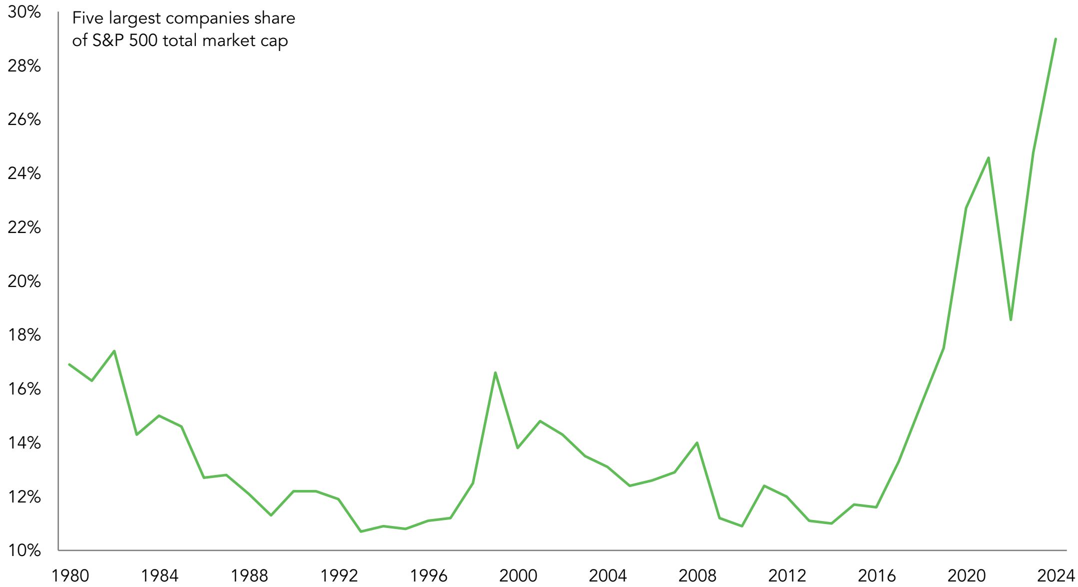
Markets seem to be in an echo bubble of 2021 – the last time rampant fiscal stimulus met a strong economy, consumers felt flush with cash and there was a strong narrative capturing the market's imagination. However, what is remarkable is that this is happening with interest rates at 5%.

In 2021 it was cryptocurrencies, unicorns, and the FANG stocks; today it is the Magnificent Seven and AI but they have a similar flavour. We know that 2021 was followed by the multi-asset car crash of 2022.

It may not be the top of the market – but if it was, how would we know? Here's a few indicators of the market temperature

1. Retail investors are piling billions of dollars into leveraged ETFs, they are also buying record numbers of call options. Retail isn't just long, they are leveraged long. Remember, retail always buys more at the top than at the bottom.
2. It has now been 380 days without a 2% down day in the S&P 500.
3. According to the Merrill Lynch Global Fund Manager Survey – only 5% of investors are worried about a recession in the next 12 months. One year ago that was greater than 50% of investors (including us) – that is the wall of worry, as each of those bearish investors threw in the towel and bought equities.
4. The same survey has investor willingness to take risk at its highest level since 2021, cash levels are correspondingly low despite interest rates being at c. 5%.
5. In May 2024 we saw the highest ever monthly flows into US growth and Tech-focused equity funds.
6. There is an adage that when markets are broad, they are strong, when they are narrow the opposite is true. The US is now 70% of MSCI World. The five largest companies are 28% of the S&P 500 (see following chart).

THE MARKET IS INCREDIBLY NARROW



Source: Bianco Research 2024

Nvidia – one company – is contributing one third of the entire rise in the US market year to date. In the second quarter, almost all of the US market's gains came from AI-related stocks, with the average stock actually falling over the period. To rework Churchill's famous ode to the Royal Air Force in the Battle of Britain – 'Never in the field of financial markets has so much been owed by so many to so few.'

In the second quarter of 2024, Nvidia added $1 trillion of market cap in just six weeks. Warren Buffett is widely believed to be the greatest investor of all time, posting remarkable numbers at Berkshire Hathaway for more than 60 years, he has still to achieve a $1 trillion market capitalisation.

They say history doesn't repeat but it does rhyme – this echo bubble sticks close to the original script.

2021 had crazy stories like DogeCoin rising to a $50bn valuation, GameStop squeezing up 700% and Roaring Kitty becoming a celebrity (immortalised in the movie 'Dumb Money'). Nvidia rose 150%.

From the vantage point of the market turmoil in 2022 it was easy to look back and say there were signs of excess.

In 2024 we have had the return of GameStop (briefly up 180%), Roaring Kitty is nearly a billionaire, and Nvidia has risen 185% in the first six months. The crypto coin Dogwifhat (Dog with a hat) peaked at a $67bn valuation trading $1bn a day.

If in a few years we look back say 'how would we have known?' it is fair to say that there are several clues.

Ugly ducklings

The Ugly Duckling is a Hans Christian Andersen fairy tale from 1843 about a duck who was born different. He was teased and rejected by the other ducks because he didn't look like them. He sees a different world to other ducks – and couldn't bring himself to join the flock.

Ruffer's portfolio today feels a little like the ugly duckling (thank you AI for the picture) full of deeply unloved, beaten up and lowly valued positions. Many of our assets have already been shunned, jeered, and cast out into the wilderness by investors.

Our ugly ducklings are positions that other investors either can't or won't hold. The skill is to try and blend them together in a portfolio which we can hold onto until the market turns.

We think that each of these positions has the potential to mature into a beautiful swan and a portfolio full of these ducklings offers a really attractive differentiated return stream.

Taking a look at the flock of ugly ducklings in the portfolio in turn, starting with the risk assets.

China equities

Perhaps the ugliest duckling of all? 'Un-investable' is the knee-jerk response to our c. 4% allocation to Chinese equities.

We have some sympathy with that, the 'Cold War II' narrative is one we have been vocal about since 2018. It has now become consensus, capital has been sucked out of China, which has struggled to recover from covid, and moved towards the US bull market.

AN INFLECTION POINT IN CHINESE EQUITIES?

Source: Bloomberg. Data to June 2024

Those longer-term threats have not gone away, and we consider these positions 'tactical' as opposed to 'structural'.

But the setup is compelling, even the China bears admit it's hard to stay bearish from here. Chinese equities are massively under-owned because of reputational risk.

Because of that aversion, the risk is mispriced, you get access to some of the cheapest equities in the world. We think it's an attractive way to take risk. There's a lot of bad news in the price.

Global leaders like Alibaba trade on a third of the valuation of their US equivalents. BABA has a third of its market cap in cash, >10% free cash flow yield and is buying back 5% per annum.

For the global recovery to be sustained it surely needs to broaden to include the second largest economy.

From a broader perspective, it's a good example of how we think about portfolio construction.

What's nice about this position is that if that bear case comes to pass – for example, Xi invades Taiwan – these stocks might be a zero, that is a catastrophic result for Chinese equities. We would also suggest it's a pretty catastrophic result for the MSCI World and market darlings like TSMC and Nvidia too.

But in that scenario – what is oil doing? Gold? S&P 500 downside protection? VIX? Bond yields? We think the protective side of our portfolio does extremely well in that scenario – the overall portfolio could well be up.

Therefore, we think it's a nice way of playing us being wrong and everything turning out quite well for the global economy and the downside is underwritten by our other assets.

UK equities

These make up 11% of the portfolio or almost half of the equity book.

The Labour Party's 1997 election theme song, 'Things Can Only Get Better', feels like a timely nod to the current attractions of the UK equity market, for so long the ugly duckling at the global equity party.

After a disastrous decade or so under the Conservative Party, a new government brings at least the chance of change. Expectations are low, but stability would at least remove a negative. The political uncertainty linked to so many elections across the globe this year leaves the UK looking relatively benign, and the consumer is feeling perky having weathered Covid and the cost-of-living crisis.

The UK stock market is cheap – if you focus solely on valuation rather than growth. Sitting on about a 12x price/earnings ratio, compared to 17x for global equities and 21x for US markets. But the UK has been 'cheap' for many years. So what's different now?

We might be running out of sellers, outflows have been relentless for almost the entire period since Brexit. Pension funds and wealth managers have now mostly completed their removal of 'home bias' and have record low levels of exposure.

New buyers are emerging; first, other investors are noticing the attractions of UK equities. In the first six months of 2024, 32 deals were announced with a value of more than £100 million, adding up to a value of £34 billion. The bid premium is averaging 30% and the quantum is a threefold increase since last year.

Within the portfolio we received bids for Hipgnosis Songs Fund and Trident Royalties – more would not surprise us.

Gold equities

4% of the portfolio is invested in gold mining equities – with another 3% exposure to silver and platinum.

The reasons why gold is going up are clear – geopolitical concerns, inflation worries, fiscal incontinence, perhaps a desire to avoid the tax man.

But gold stocks, until recently, were completely ignoring the gold price. Since 2010 gold has almost doubled and the gold mining stocks are down 40% (see following chart).

THE JAWS OF A GOLDEN OPPORTUNITY

Source: Bloomberg, data January 2010 to June 2024

There are many good reasons investors shun the equities – the rise of sustainable funds, spendthrift management teams, historically bad capital allocation policies including bad mergers – but arguably it has gone too far, and these issues are mostly in the rear-view mirror.

Newmont – the biggest, blue chip stock trades on an 11% FCF yield at $2,300 gold. Almost all of the smaller players in the sector are cheaper. The entire industry is around $350bn in market cap, that's the same size as Home Depot, or the daily market capitalisation swing on Nvidia in several days in Q2 2024.

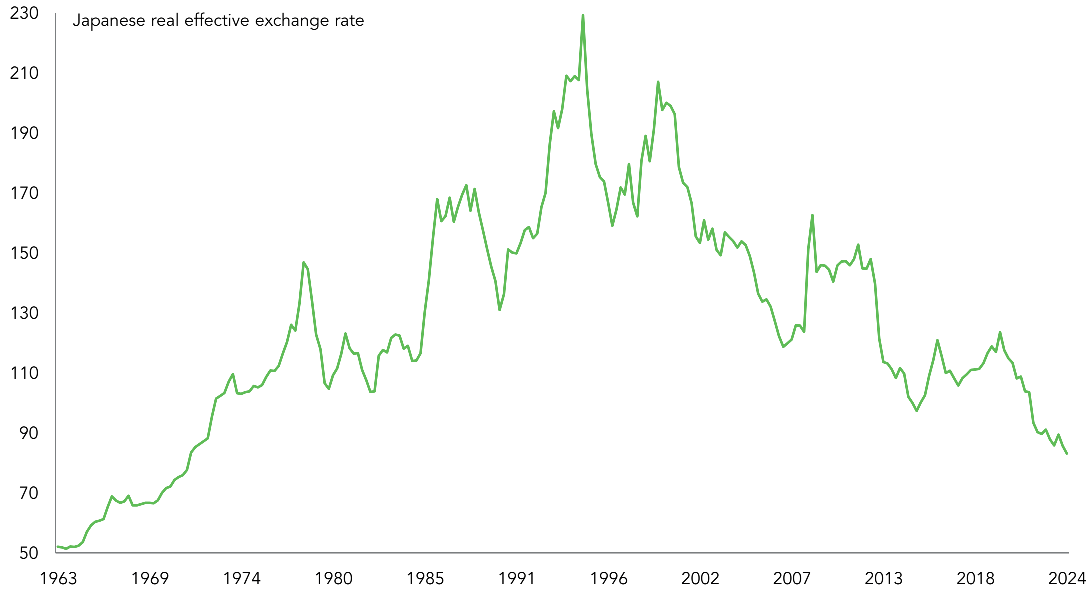
The mining companies offer compelling value and asymmetry. Earnings revisions in the sector are going to be spectacular – looking at the sell-side models nobody has $2,300 gold priced in. What if it goes to $3,000?

The yen

The yen ugly duckling is greater than a 10% position and has been a drag on performance as covered in the attribution section. That should not dim our enthusiasm looking forward.

The yen is the cheapest major currency in the world. One would have to go back to December 1986 for the last time dollar/yen traded at 161. On a real effective exchange rate or purchasing power parity basis, it is also now testing multi-decade lows – we acknowledge this provides no clue on timing, but a strong hint on value.

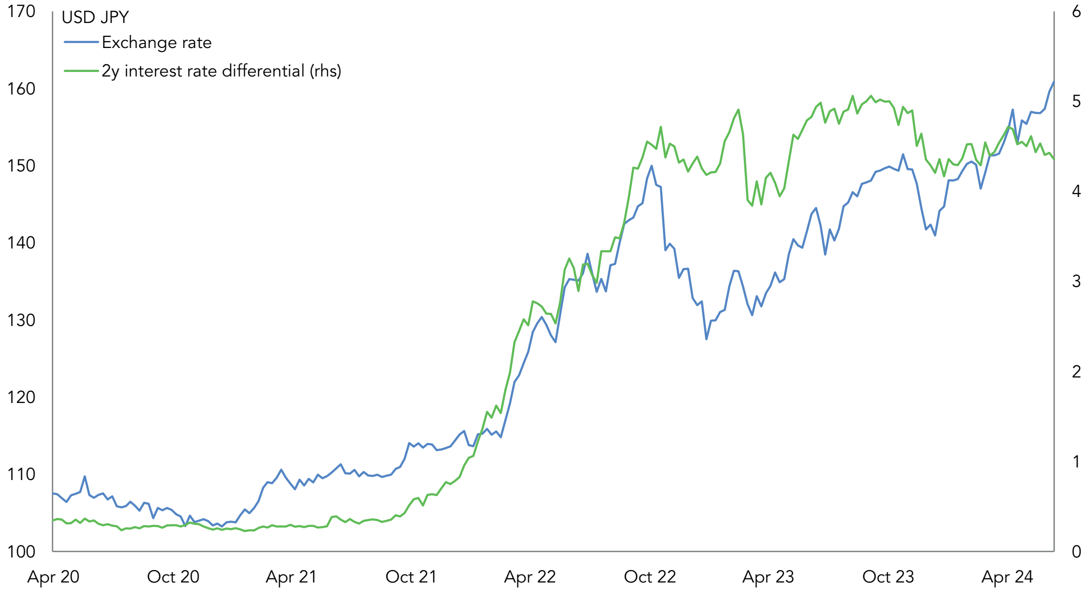
YEN REAL EFFECTIVE EXCHANGE RATE IS THE CHEAPEST SINCE EARLY 1970S



Source: Refinitiv Datastream. Data to June 2024

This chart shows why the yen has fallen so far in the last couple of years: the interest rate differential between Japan and, as shown below the US dollar has meant investors can earn 5% more in the US than in zero-rate Japan. That has caused savers, but also a huge number of speculators, to engage in the carry trade – borrowing in yen at low cost to fund positions in the US dollar or other higher yielding currencies and assets. Lately, we have seen momentum traders pushing this trend further.

THE YEN IS A HISTORIC OPPORTUNITY



Source: Ruffer, Factset. Data to June 2024

What the wise man does in the beginning, the fool does in the end. We think these investors are now playing with fire. The Bank of Japan has repeatedly intervened to prop up the currency, so far unsuccessfully, but their determination and need is growing.

Anything which causes that yield gap to narrow further, from either side, should drive the yen up in value. With wage growth and inflation in Japan running at 30 year highs, we think it will be a combination of BOJ interest rate hikes and Fed rate cuts that work in our favour from here.

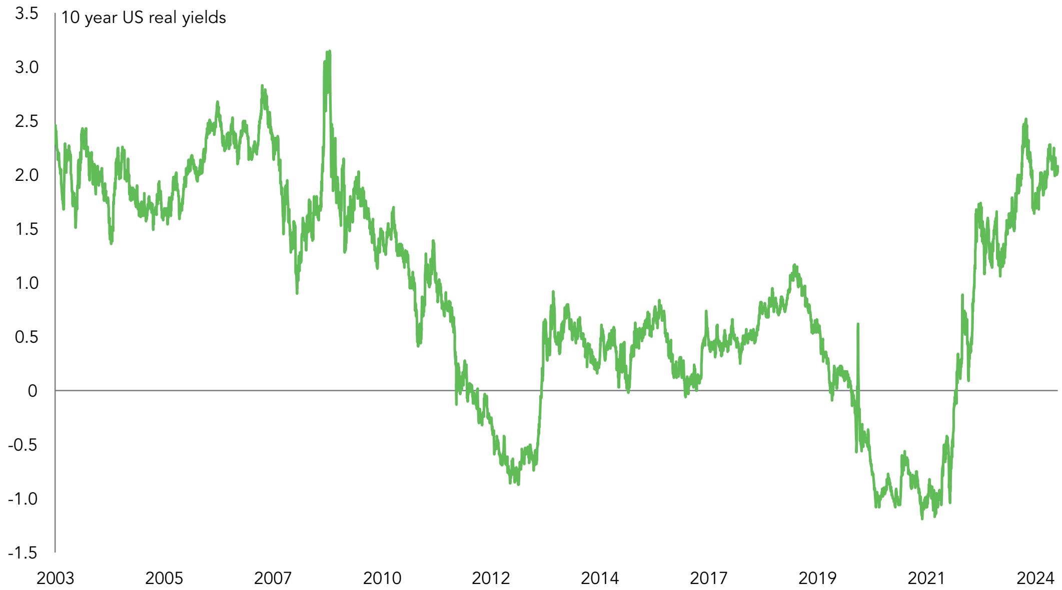
Lastly, from a portfolio perspective we like the characteristics the yen brings to the table. It has historically functioned as a safe haven asset. In the GFC, yen denominated holdings doubled for sterling investors inside 12 months. That was hugely helpful for the Ruffer portfolio, and we expect it to be so again.

Real yields

19% of the portfolio is in US treasury inflation protected securities (TIPS) and UK inflation-linked gilts. The portfolio duration sits at just under three years.

At the period end, 10 year US real yields are just over 2% in the US. These are some of the highest yields on offer since the global financial crisis sixteen years ago.

US REAL YIELDS ARE HIGH



Source: Bloomberg, January 2003 to June 2024

Investors can lock in a return of inflation plus 2%, whatever inflation might be, lending to the global hegemon for 10 years. This may not sound like the most exciting of investment propositions, but it certainly acts as a sensible core holding for a capital preservation portfolio. What it can do, is act as a hurdle rate for every other risk asset in your portfolio.

Volatility (VIX), equity put options and credit protections

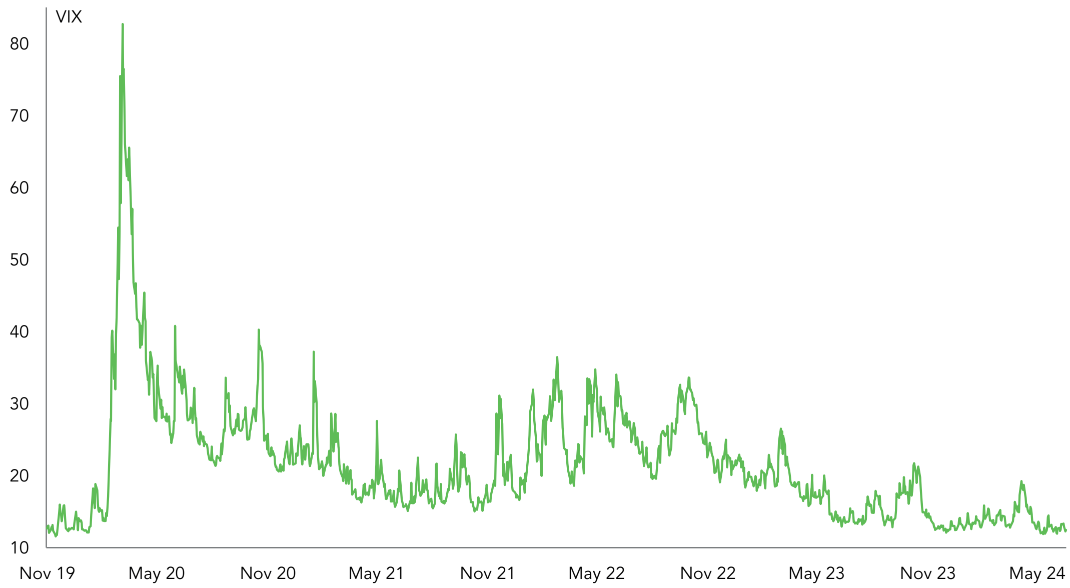
The word to describe the current market environment is complacent. There remains much to worry about – the geopolitics and domestic political situations have turned chronic, recession and inflation risk are not yet vanquished, valuations remain high.

Yet as we know, markets have rallied to all-time highs. A consequence of this implied certainty, our unconventional protective toolkit, is the cheapest and most asymmetric we have ever seen it.

Despite benefitting from booming markets recently, nobody wants to pay a cent to protect their downside – especially if they think policymakers are doing it for them for free.

VIX (a measure of equity volatility) is at pre-covid lows, when we were buying hedges that ended up rising 40x during March 2020. We were only able to benefit from this return because we were comfortable spending on protection in the years running up to 2020, which for a time looked like wasted money.

LOW VOLATILITY PRESENTS ATTRACTIVE PROTECTION



Source: Factset. Data to June 2024

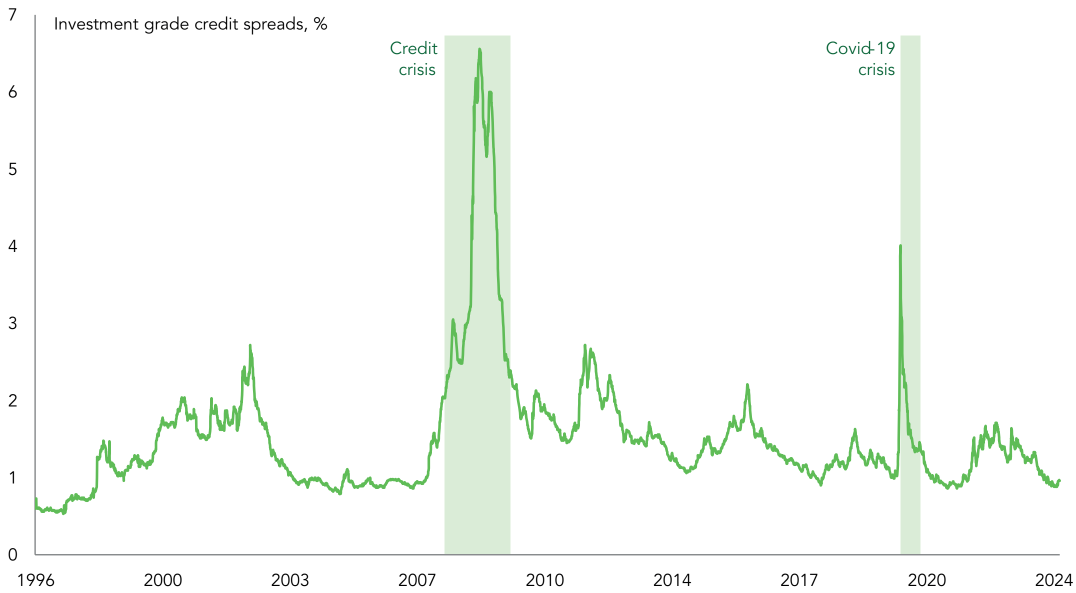
A very clear sign of market complacency is the cost of S&P put options (see following chart), which has been crushed as faith in this grinding bull market strengthens. The consequence of this is that you can buy crash protection, say a 10-20% out the money put, for the cheapest price we've seen in over a decade. These puts would also benefit from a rise in volatility and do not require the market to fall all the way to the strike to make money.

EQUITY MARKET PROTECTION IS CHEAP

Source: Ruffer, Goldman Sachs, Bloomberg. Data to June 2024

Lastly, we continue to use credit spreads as part of our hedging toolkit. These spread levels imply that markets envision no corporate stress and certainly no recession (highlighted in green in the following chart).

SOURCING PROTECTION FROM CREDIT MARKETS



Source: ICE BofA Corporate Index Option-Adjusted Spread. FRED database. Data to June 2024

Yet we know that the economy has endured 500bps of aggressive interest rate hikes, much debt will need to be refinanced onto higher rates in the coming years, and despite strong economic growth, corporates face the headwinds of inflation and wage pressures. These very tight spreads of around 50bps on the Investment Grade index now sit on top of 5% rates, meaning the cost to service the debt has risen dramatically in the last few years. We have high conviction that spreads will widen when markets face a risk event.

So if something goes wrong in markets, we are loaded with cheap hedges.

Summary

There's a lot to concern investors, markets feel frothy with elements of the bubble of 2021, and echoes of 1999. More and more active fund managers are being forced into the same trades due to underperformance. More and more capital is allocated to passive strategies. Despite this, nobody seems to be worrying.

We maintain conviction that the path for a soft landing is narrow; elections, central bank action, liquidity risks, and a softening US economy all give reason for caution. Attractive risk-reward can be found in growth assets across certain geographies and sectors, whilst the cost of protection remains at multi-decade lows. This allows us to build a portfolio containing both powerful protections, but similarly asymmetric growth assets.

Investors are complacent about recession risk, inflation risk, valuation risk and earnings risk. We have arguably never seen a market as crowded and narrow as the one we see today.

We are excited about the opportunity we see in front of us. We think the prospective rewards, relative and absolute, for having a portfolio that looks nothing like the benchmark or anyone else's have never been higher. We have a portfolio full of deeply unloved, under owned, convex and asymmetric positions which feel like ugly ducklings.

We don't know when it's going to happen, we thought it was going to be 2023, but at some point, we will have a change in the investment weather. When we do, it will be quite shocking to everyone, how quickly some of these ducklings turn into beautiful swans. Until that point, we believe the portfolio is exhibiting better balance than in 2023 and will stay in the game, meeting our absolute return aim.

Portfolio statement

as at 30 June 2024 (unaudited)

	Currency	Holding at 30 Jun 24	Fair value £	% of total net assets
Government bonds 51.50%				
(30 Jun 23: 53.28%)				
Long-dated index-linked bonds				
US Treasury inflation indexed bond 1.125% 15/01/2033	USD	40,007,000	30,749,154	3.02
US Treasury inflation indexed bond 1.375% 15/07/2033	USD	41,587,000	31,996,892	3.14
US Treasury inflation indexed bond 1.75% 15/01/2034	USD	74,570,000	58,259,892	5.70
UK index-linked gilt 0.375% 22/03/2062	GBP	8,461,000	10,050,433	0.99
UK index-linked gilt 0.125% 22/11/2065	GBP	9,083,000	8,558,997	0.84
UK index-linked gilt 0.125% 22/03/2068	GBP	14,447,000	13,964,366	1.37
UK index-linked gilt 0.125% 22/03/2073	GBP	17,192,000	13,911,520	1.36
Total long-dated index-linked bonds			167,491,254	16.42
Short-dated bonds				
Japan 0.005% 01/01/2025	JPY	4,000,000,000	19,655,940	1.93
Japan 0.005% 01/05/2025	JPY	5,835,250,000	28,653,102	2.81
Japan 0.005% 01/06/2025	JPY	6,255,300,000	30,708,927	3.02
Japan 0.005% 01/08/2025	JPY	7,331,950,000	35,973,940	3.53
Japan 0.005% 01/09/2025	JPY	7,295,700,000	35,787,471	3.51
UK index-linked gilt 2.5% 17/07/2024	GBP	7,200,000	27,774,936	2.72
US Treasury floating rate bond 31/10/2024	USD	32,000,000	25,310,494	2.48
US Treasury floating rate bond 31/01/2025	USD	53,500,000	42,335,022	4.15
US Treasury floating rate bond 30/04/2025	USD	40,000,000	31,647,608	3.10
US Treasury floating rate bond 31/07/2025	USD	44,000,000	34,799,842	3.41
US Treasury floating rate bond 31/10/2025	USD	57,000,000	45,092,883	4.42
Total short-dated bonds			357,740,165	35.08
Total government bonds			525,231,419	51.50

	Currency	Holding at 30 Jun 24	Fair value £	% of total net assets
Equities 24.24%				
(30 Jun 23: 13.57%)				
Europe				
Accor	EUR	48,700	1,579,314	0.15
AIB	EUR	601,040	2,513,968	0.25
Arcelormittal	EUR	150,000	2,716,295	0.27
Banco Santander	EUR	615,583	2,258,946	0.22
Bayer	EUR	144,227	3,183,566	0.31
Dassault Aviation	EUR	9,077	1,304,516	0.13
Deutsche Post	EUR	52,630	1,685,355	0.16
Groupe Danone	EUR	30,521	1,476,264	0.14
Hellenic Telecom	EUR	23,774	272,572	0.03
JDE Peet’s	EUR	101,873	1,605,659	0.16
Orange	EUR	138,800	1,100,191	0.11
Prosegur Cash	EUR	720,973	318,301	0.03
Prosus	EUR	60,000	1,691,043	0.17
Roche	CHF	17,062	3,746,013	0.37
Ryanair ADR	USD	20,800	1,915,344	0.19
Smurfit Kappa	GBP	146,175	5,152,851	0.51
TUI	EUR	163,480	914,579	0.09
Vallourec	EUR	181,111	2,247,581	0.22
Vivendi	EUR	273,930	2,264,606	0.22
Total Europe equities			37,946,964	3.73
United Kingdom				
Aberforth Smaller Companies	GBP	270,000	4,071,600	0.40
Admiral Group	GBP	125,875	3,290,372	0.32
Anglo American	GBP	12,280	307,246	0.03
BAE Systems	GBP	110,300	1,455,960	0.14
Balfour Beatty	GBP	294,430	1,074,669	0.11

	Currency	Holding at 30 Jun 24	Fair value £	% of total net assets
Barratt Developments	GBP	600,000	2,832,600	0.28
Beazley	GBP	314,900	2,226,343	0.22
BP	GBP	4,638,665	22,042,936	2.16
British American Tobacco	GBP	316,150	7,682,445	0.75
Castings	GBP	750,000	2,685,000	0.26
Conduit	GBP	262,960	1,297,708	0.13
Deliveroo	GBP	797,440	1,042,254	0.10
Glencore	GBP	900,000	4,059,900	0.40
Grit Real Estate	GBP	3,482,444	592,015	0.06
JD Sports Fashion	GBP	642,400	767,668	0.08
Jet2	GBP	117,444	1,537,342	0.15
Marks & Spencer	GBP	533,630	1,527,783	0.15
PRS REIT	GBP	2,870,000	2,155,370	0.21
Prudential	GBP	638,840	4,588,149	0.45
Reckitt Benckiser	GBP	132,915	5,691,420	0.56
Renn Universal Growth Trust	GBP	937,500	0	0.00
Rio Tinto	GBP	50,000	2,600,000	0.25
Rolls-Royce Holdings	GBP	438,005	2,000,807	0.20
Ruffer SICAV UK Mid & Smaller Companies Fund*	GBP	8,812,245	22,610,458	2.22
Science Group	GBP	355,800	1,565,520	0.15
Shell	GBP	98,718	2,797,175	0.27
Tesco	GBP	1,000,000	3,058,000	0.30
Trident Royalties	GBP	7,557,947	3,597,583	0.35
Unilever	GBP	81,667	3,547,614	0.35
Vodafone	GBP	1,953,700	1,361,729	0.13
Total UK equities			114.067.666	11.18

	Currency	Holding at 30 Jun 24	Fair value £	% of total net assets
North America				
AGNC	USD	677,800	5,108,291	0.50
Amazon	USD	24,159	3,693,872	0.36
Bank of America	USD	120,179	3,779,770	0.37
Cigna	USD	16,933	4,421,461	0.43
Citigroup	USD	111,061	5,575,447	0.55
Coty A	USD	225,800	1,787,472	0.17
Exxon Mobil	USD	17,521	1,594,695	0.15
General Electric	USD	14,599	1,834,775	0.18
M & T Bank	USD	6,120	732,270	0.07
Noble	USD	19,700	695,459	0.07
Pfizer	USD	178,086	3,940,566	0.39
Philip Morris	USD	16,159	1,294,637	0.13
PNC Financial	USD	9,100	1,119,347	0.11
Suncorp	CAD	69,791	2,098,413	0.21
Total North America equities			37,676,475	3.69
Asia (ex-Japan)				
Alibaba Group ADR	USD	211,785	12,060,607	1.18
iShares MSCI China	USD	9,423,931	30,071,619	2.95
Taiwan Semiconductor Manufacturing	USD	37,686	5,180,670	0.51
Total Asia (ex-Japan) equities			47,312,896	4.64
Other equities				
AMBEV ADR	USD	2,412,047	3,891,321	0.38
Taylor Maritime Investments	GBP	5,000,000	3,850,000	0.38
Tufton Oceanic Assets	USD	2,562,500	2,431,791	0.24
Total other equities			10,173,112	1.00
Total equities			247,177,113	24.24

	Currency	Holding at 30 Jun 24	Fair value £	% of total net assets
Commodity exposure 2.46				
(30 Jun 23: 8.10)				
Wisdomtree Brent crude oil	USD	367,552	15,783,372	1.55
Wisdomtree copper	USD	184,198	5,764,108	0.56
Yellow Cake	GBP	600,000	3,492,000	0.34
Total commodity exposure			25,039,480	2.46
Gold and precious metals exposure 7.56				
(30 Jun 23: 5.02)				
Barrick Gold	USD	231,592	3,053,095	0.30
Denarius Metals 12% 19/10/2028	CAD	1,800,000	1,301,481	0.13
WS Ruffer Gold Fund*	GBP	11,080,000	36,259,655	3.56
Newmont	USD	102,060	3,376,172	0.33
Wisdomtree platinum	USD	297,000	21,681,352	2.13
Wisdomtree silver	USD	537,956	11,435,553	1.11
Total gold and precious metals exposure			77,107,308	7.56
Credit and derivative strategies 12.77				
(30 Jun 23: 14.84)				
Ruffer Illiquid Multi Strategies Fund 2015*	GBP	110,392,473	70,178,703	6.88
Ruffer Protection Strategies*	GBP	9,334,953	59,997,893	5.89
Total credit and derivative strategies			130,176,596	12.77
Total investments			1,004,731,916	98.53
Cash and other net current assets			15,006,905	1.47
			1,019,738,821	100.00

* Ruffer Protection Strategies International and Ruffer Illiquid Multi Strategies Fund 2015 Ltd are classed as related parties as they share the same Investment Manager (Ruffer AIFM Limited) as the Company. WS Ruffer Gold Fund and Ruffer SICAV UK Mid & Smaller Companies Fund are also classed as related parties as their investment manager (Ruffer LLP) is the parent of the Company's Investment Manager.

Appendix

Regulatory performance data

To 30 Jun	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Ruffer	14.6	15.5	26.1	6.3	6.1	16.4	5.0	5.0	8.9	15.4	15.3
RIC NAV	–	–	–	–	–	–	–	–	–	14.1†	8.2
FTSE All-Share	19.6	22.6	28.7	10.1	5.1	-7.8	-14.8	-9.7	16.9	18.7	19.7
Bank Rate	6.4	5.9	7.1	6.5	5.5	5.9	4.4	3.9	3.8	4.7	4.5
MSCI PIMFA Balanced	16.8	17.7	21.8	13.1	7.4	-6.2	-11.5	-5.1	11.7	14.9	13.8
Twice Bank Rate	13.2	12.2	14.6	13.3	11.3	12.0	9.0	8.0	7.7	9.6	9.3

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Ruffer	2.4	5.3	15.0	16.0	11.1	2.5	12.6	0.7	10.3	-1.9	6.5
RIC NAV	-0.8	14.8	18.6	21.8	8.8	-0.3	13.8	-2.6	7.9	-1.0	8.8
FTSE All-Share	18.4	-13.0	-20.5	21.1	25.6	-3.1	17.9	13.1	2.6	2.2	18.1
Bank Rate	5.0	5.5	2.8	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.3
MSCI PIMFA Balanced	12.3	-7.4	-11.9	17.2	17.4	0.9	13.2	9.3	6.7	7.8	13.8
Twice Bank Rate	10.2	11.3	5.6	1.0	1.0	1.0	1.0	1.0	1.0	1.0	0.6

	2018	2019	2020	2021	2022	2023	2024	Annualised
Ruffer	0.4	-2.0	12.9	15.2	2.1	-3.8	0.1	8.1
RIC NAV	0.8	-0.9	10.1	15.3	6.0	-1.7	1.0	6.9
FTSE All-Share	9.0	0.6	-13.0	21.5	1.6	7.9	13.0	7.1
Bank Rate	0.4	0.7	0.6	0.1	0.3	3.0	5.2	2.9
MSCI PIMFA Balanced	6.8	5.0	-1.3	15.2	-4.3	4.0	14.0	6.9
Twice Bank Rate	0.8	1.4	1.2	0.2	0.7	6.0	10.7	5.9

† From 7 July 2004

Source: Ruffer, FTSE International, Bloomberg, MSCI, WM. Cumulative performance 30 June 1995 to 30 June 2024, in pounds sterling. Past performance is not a reliable indicator of 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. All figures include reinvested income. All mentions of Ruffer performance refer to Ruffer's representative portfolio, which is an unconstrained segregated portfolio following Ruffer's investment approach. Ruffer performance is shown after deduction of all fees and management charges. Calendar quarter data has been used up to the latest quarter end and monthly data thereafter. FTSE/MSCI Balanced data prior to 28 Feb 2017 refers to the FTSE WMA Balanced Index and after 1 Mar 2017 refers to the MSCI PIMFA Balanced index. Performance prior to 1 July 2022 has been calculated using monthly data points, and thereafter using daily data points. More information: ruffer.co.uk/methodology. This document is issued by Ruffer AIFM Limited (RAIFM), 80 Victoria Street, London SW1E 5JL. Ruffer LLP and Ruffer AIFM Limited are authorised and regulated by the Financial Conduct Authority. Ruffer AIFM is a wholly owned subsidiary of Ruffer LLP.