Bitcoin

Ruffer portfolios now have some exposure to bitcoin via the Ruffer Multi-Strategies Funds.

The coming together of a fragile monetary system, distorted financial markets and investors' hunger for safety could trigger a surge in demand for bitcoin as a store of value. Mainstream adoption by financial institutions could be around the corner, with bitcoin becoming an alternative to gold and government bonds.

Portfolio context

Ruffer portfolios aim to preserve capital and deliver good all-weather returns, whatever happens in the financial markets. A small holding in bitcoin can help us meet that objective.

Gaining exposure to bitcoin is an evolutionary rather than a revolutionary move for Ruffer. We have been using unconventional sources of protection for some time. In 2008, the yen and the Swiss franc drove strong gains for portfolios through the credit crisis. In early 2020, as covid-turmoil struck markets, volatility call options and credit protection strategies performed admirably, delivering outsize returns. These holdings were sometimes unpopular, but ultimately proved their worth.

Today, we see bitcoin as a small but potent insurance policy. It is a young and emerging asset, with a low correlation to other parts of the portfolio. Bitcoin diversifies the portfolio's (much larger) investments in gold and inflation-linked bonds, and acts as a hedge to some of the monetary and market risks that we see. Adding bitcoin exposure to the Ruffer Multi-Strategies Funds is primarily a defensive move; it expands our menu of protective assets and is designed to improve the risk-reward profile of portfolios, with favourable asymmetry.

Why bitcoin? Why now?

Over the past 12 years, bitcoin has survived trial by fire, becoming stronger through multiple cycles of boom and bust. It is a supply-constrained, globally-traded store of value, backed by a decentralised computer network that is resilient by design, existing independently of any government.

The current macroeconomic environment is set up perfectly for an asset that blends the benefits of technology and gold. Negative interest rates, extreme monetary policy, ballooning public debt, dissatisfaction with governments – all provide powerful tailwinds for bitcoin at a time when conventional safe-haven assets, particularly government bonds, are perilously expensive. And this in a climate where investors are hungry for safety.

Against that backdrop, we believe bitcoin is poised for a wave of mainstream institutional adoption. It seems set to move from being loved by the anti-establishment to being embraced by the dominant interests of the establishment. Since 2017, billions of dollars have been invested in the infrastructure needed to support this wave of bitcoin adoption; many of the impediments to institutional investors have been dismantled.

How are the bitcoin held?

The investment has been made via the Ruffer Multi-Strategies Funds and the bitcoin are held in a segregated account by the world's largest custodian of digital assets. They are an independent qualified custodian and a fiduciary under New York state banking laws. The bitcoin are held in safe, offline, cold storage. They are held separately from the holdings of other institutional clients and an industry-leading insurance policy covers these assets.

Access to the bitcoin is controlled by multi-layer security protocols. Nobody at Ruffer can access the bitcoin.