RUFFER

17 October 2022

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Dear Sirs

Rose-Innes Associates Ltd Exec Pension

You will shortly be receiving the latest valuation of the portfolio as at 30 September 2022. It shows a total of cash and investments of £525,523, an appreciation of £22,701 or 4.5% in the quarter. For the twelve months to date the portfolio shows a gain of 6.3%.

The quarter in brief

Markets have become increasingly volatile both this year and in the latest quarter as central banks continue to raise interest rates and reverse their money printing in an attempt to contain inflation. This in turn is having the effect of gradually removing the support that has helped push up so many assets for so many years.

What happened in Ruffer portfolios?

Amongst this volatility, there were three key drivers to our positive performance over the quarter:

1. Our record low equity weight: Given our concerns over asset prices in general and traditionally riskier stocks in particular, we started with only 25% in equities and used the markets' rally in July and early August to sell more, ending the quarter with just under 15% – an all-time low equity allocation for Ruffer. This low weighting meant the portfolio was not particularly impacted by the widespread falls in equity markets that started in mid-August and accelerated through September.

2. Unconventional protections: these have been essential in an environment where equities and traditional protective assets such as bonds have been falling together - a scenario we have feared for some time. Global bonds and global equities both fell 7% during the quarter in US Dollar terms, highlighting yet another period where there has been "nowhere to hide". Specifically designed to profit from falling equity markets, rising yields and higher volatility, these protective derivative positions performed strongly.

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3. Purchases of long-dated UK inflation-linked bonds at distressed prices: Finally, we traded nimbly during an historically volatile final week of the quarter in the UK bond market after new Chancellor Kwarteng's 'mini-budget' triggered a sudden surge in UK borrowing costs and a vicious bout of forced sales by UK pension funds. We added at record lows, buying from forced-sellers. Having at one point been down nearly 85% for the year to date, the longest-dated of these gilts then doubled in short order following the Bank of England's subsequent intervention on 27 September.

The investment outlook

Despite significant declines across most major markets year to date, we believe asset prices remain highly vulnerable to the continuing withdrawal of central bank support, and a rising prospect of recession. We therefore remain very defensively positioned. The portfolio would likely give back some recent performance on any significant bounce back up in stock markets, but we view the current period as a time to prioritise safety.

Yours faithfully

Charles Lynne
Investment Director