



What happens next?

4 June 2020

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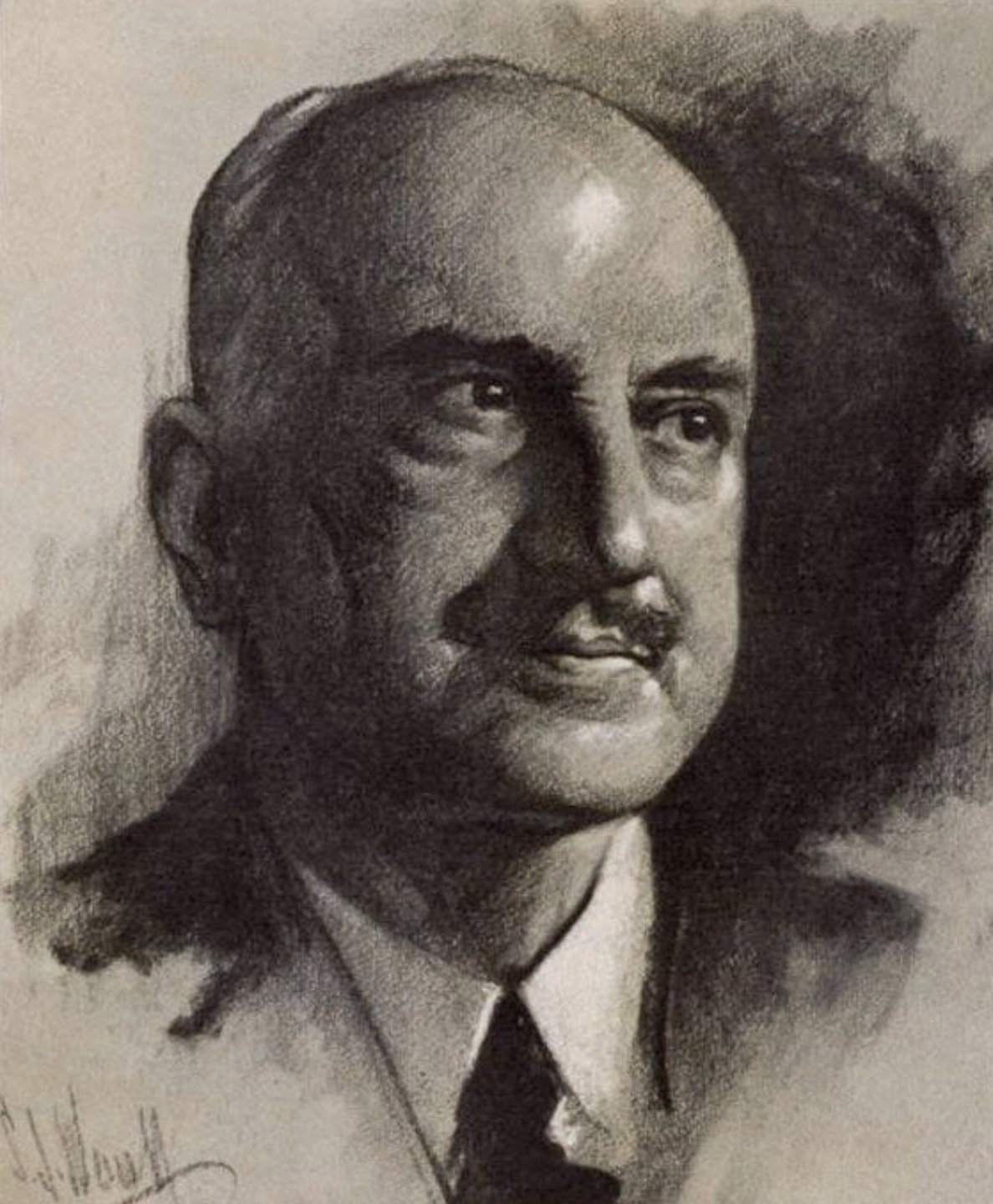
Alex Lennard
Investment Director



Charalee Hoelzl
Senior Investment
Associate



Emma Varley
Investment Manager



“ Those who cannot remember the past are condemned to repeat it ”

George Santayana

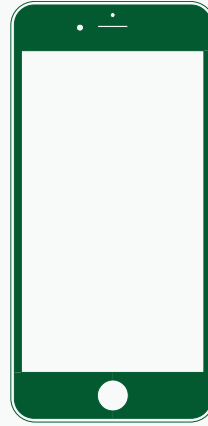
Tailwinds



China's
emergence



End of
Cold War



Technology
revolution



Demographics



Globalisation

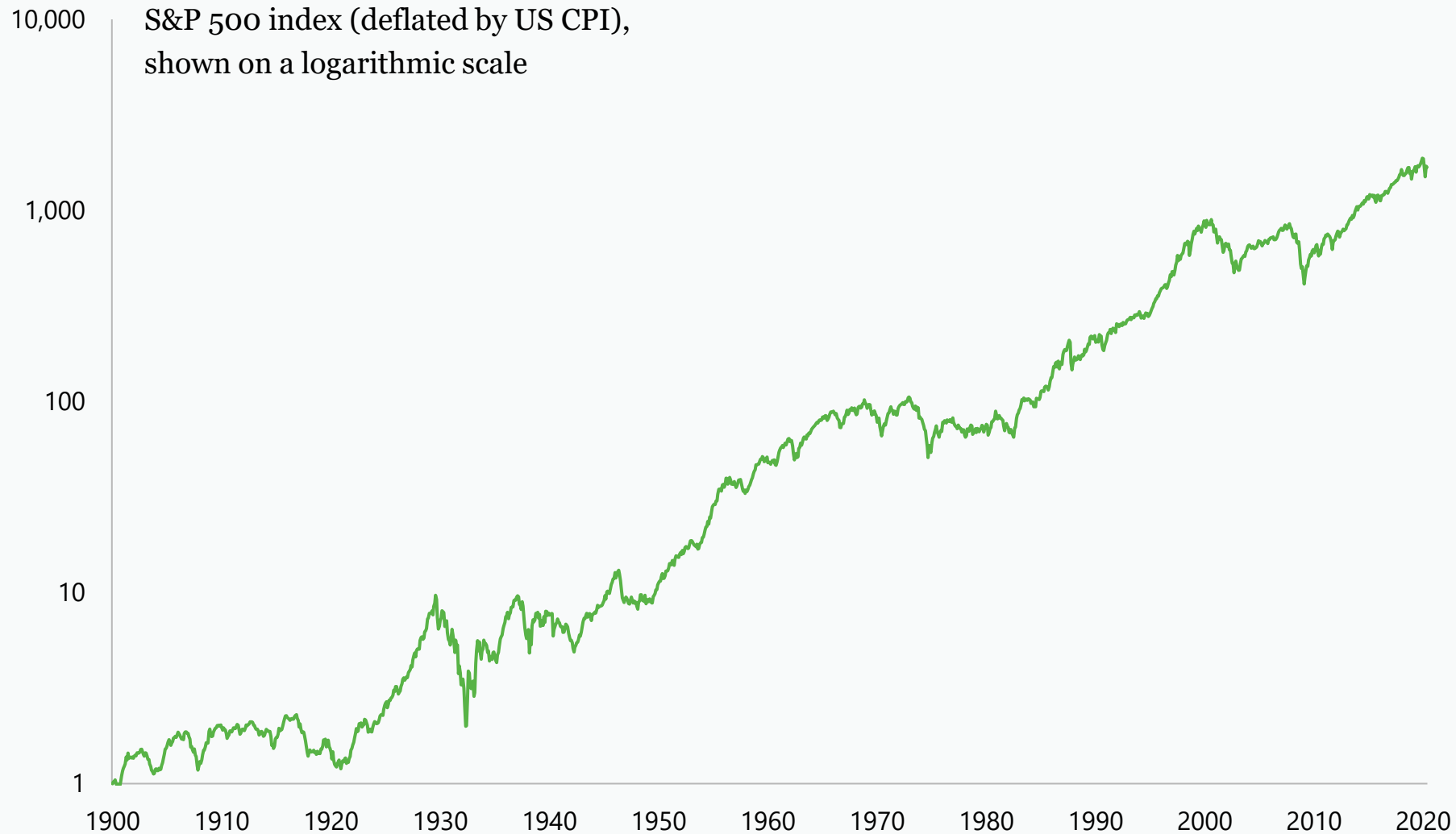
Rising tide lifts all boats



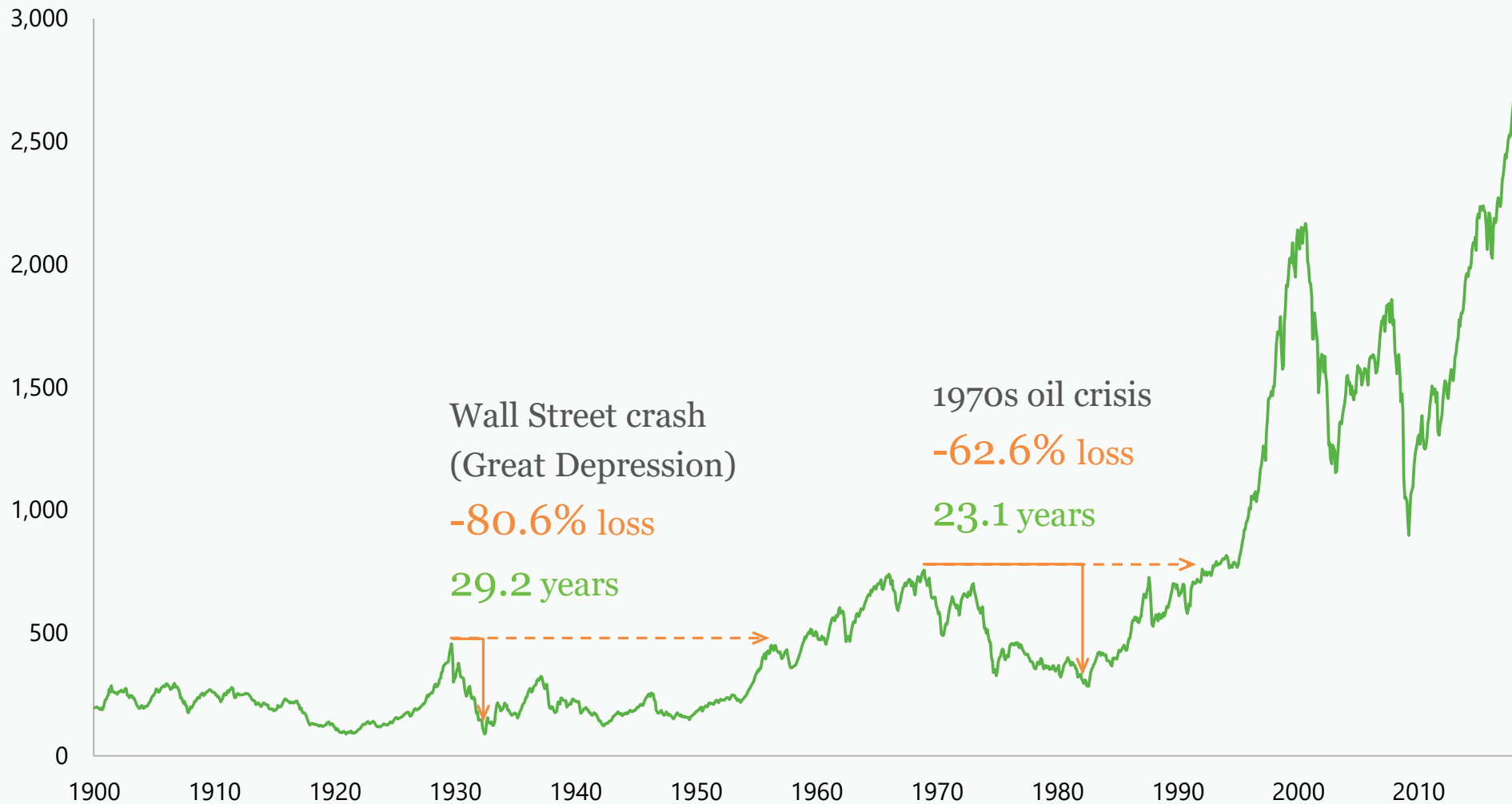
- 1 Equities
- 2 Bonds
- 3 Inflation?

The cult of equity may
be coming to an end

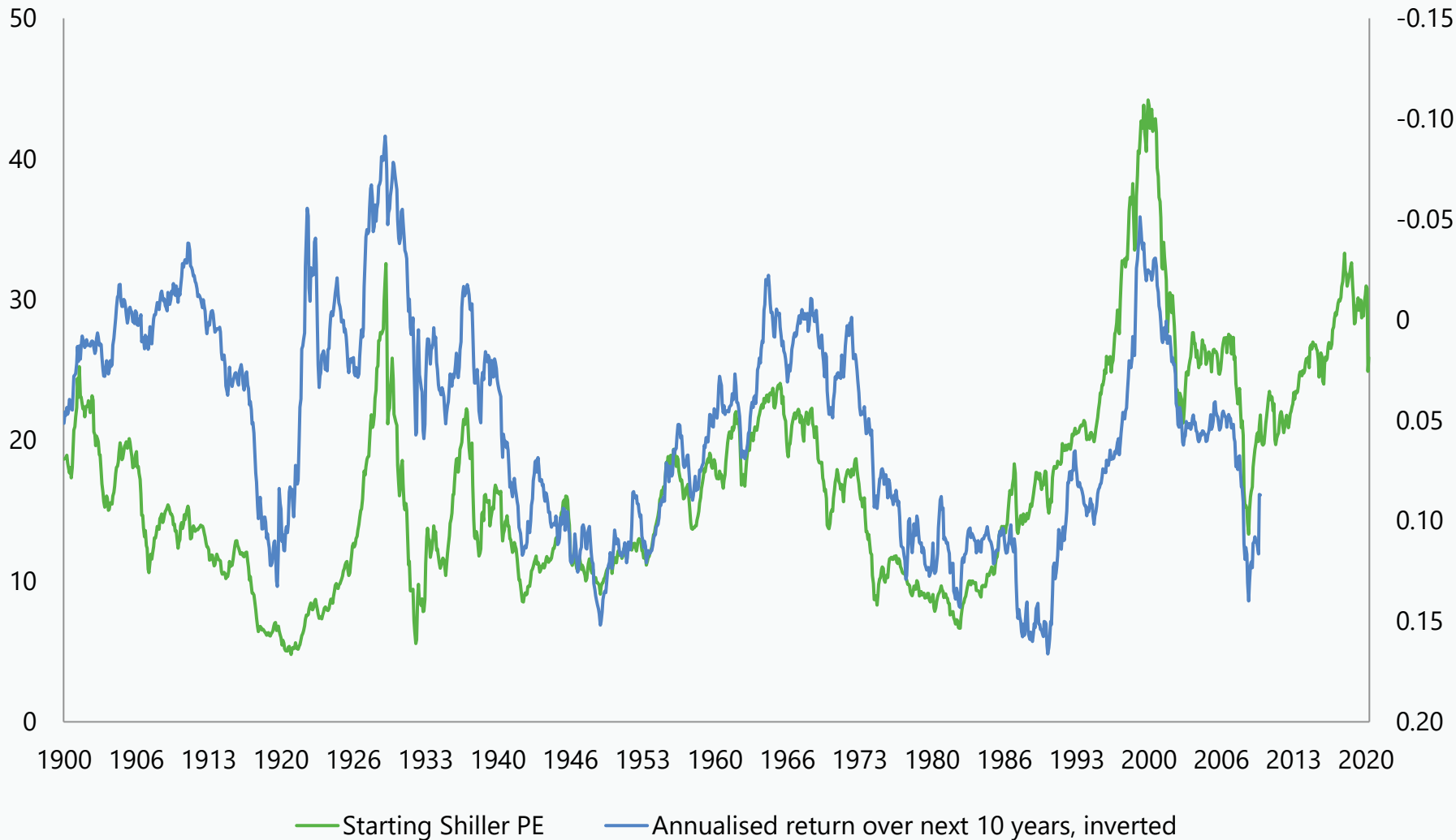
In the long term – own equities....



...but there can be long periods in the wilderness



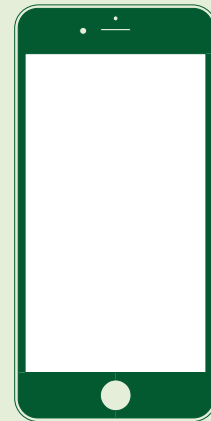
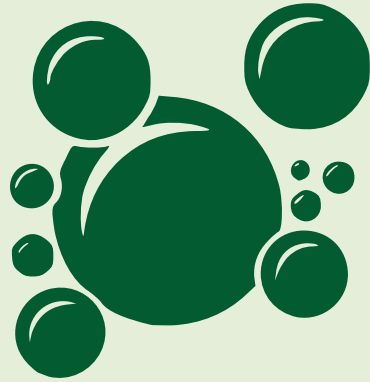
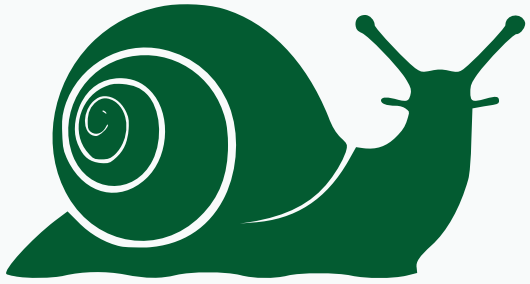
...and your starting points matter



Prospective
return
2.5% pa

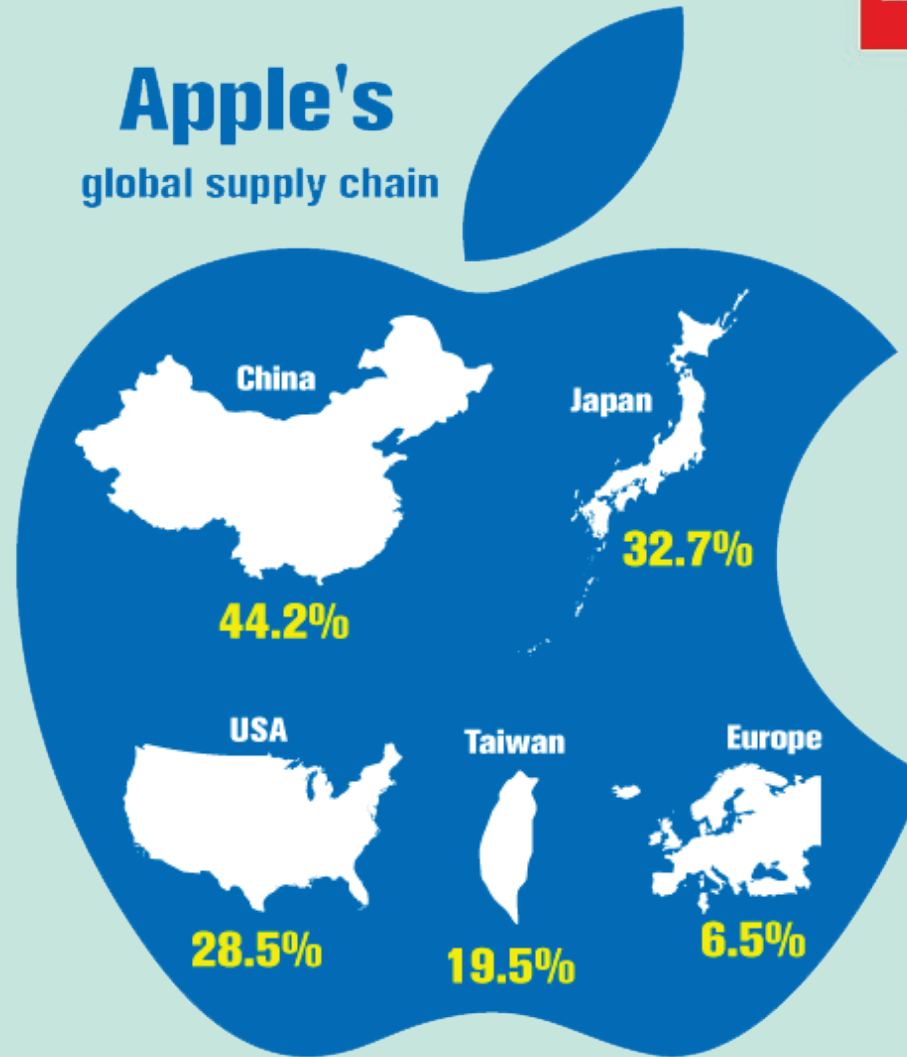


0%



Supply chains are going to be more complicated

Apple's global supply chain



Goodbye globalisation The dangerous lure of self-sufficiency

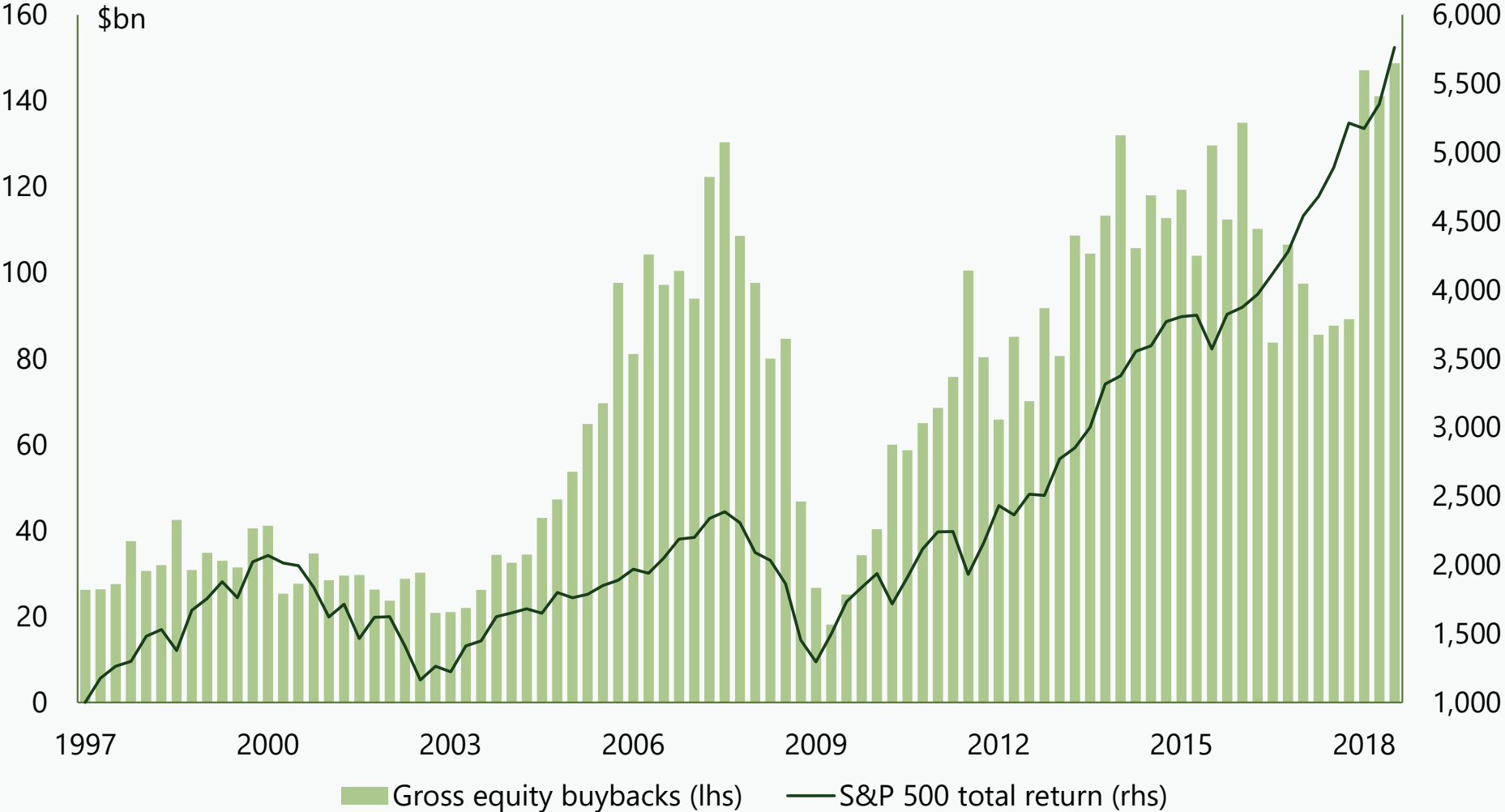


“ There is one and only one social responsibility of business — to use its resources and engage in activities designed to increase its profits so long as it stays within **the rules of the game**, which is to say, engages in open and free competition without deception or fraud. ”

Milton Friedman, 1962



Share buybacks have driven equity returns



Source: Z1 Flow of Funds, Ruffer, Thomson Reuters Datastream

Bye-bye buy backs?



Alexandria Ocasio-Cortez ✓
@AOC

96% of airline profits over the last decade went to buying up their own stocks to juice the price - not raising wages or other investments.

If there is so much as a DIME of corporate bailout money in the next relief package, it should include a reinstated ban on stock buybacks.

6:28 pm · 17 Mar 2020 · [Twitter for iPhone](#)



Elizabeth Warren ✓
@SenWarren

Can I retweet this 100 times?



Chuck Schumer ✓ @SenSchumer · 18 Mar

One of the reasons industries are so short on cash right now is that they have spent billions buying back their own stocks instead of investing in their workers and saving for a rainy day.

That needs to be addressed NOW.

1:34 am · 19 Mar 2020 · [Twitter Web App](#)



Bernie Sanders ✓
@BernieSanders

Walmart spent \$8.3 billion on stock buybacks to enrich its shareholders in 2017.

That's enough money to increase wages from \$11 to \$15 an hour for nearly 1 million workers.

Here's how we end this greed: Give workers representation on Walmart's corporate board.

[#BernieAtWalmart](#)

5:55 PM · Jun 5, 2019 · [Twitter Web Client](#)

President Trump Joins Democrats in Calls to Block Share Buybacks

THE WALL STREET JOURNAL.

To the bosses, the spoils

Average CEO pay

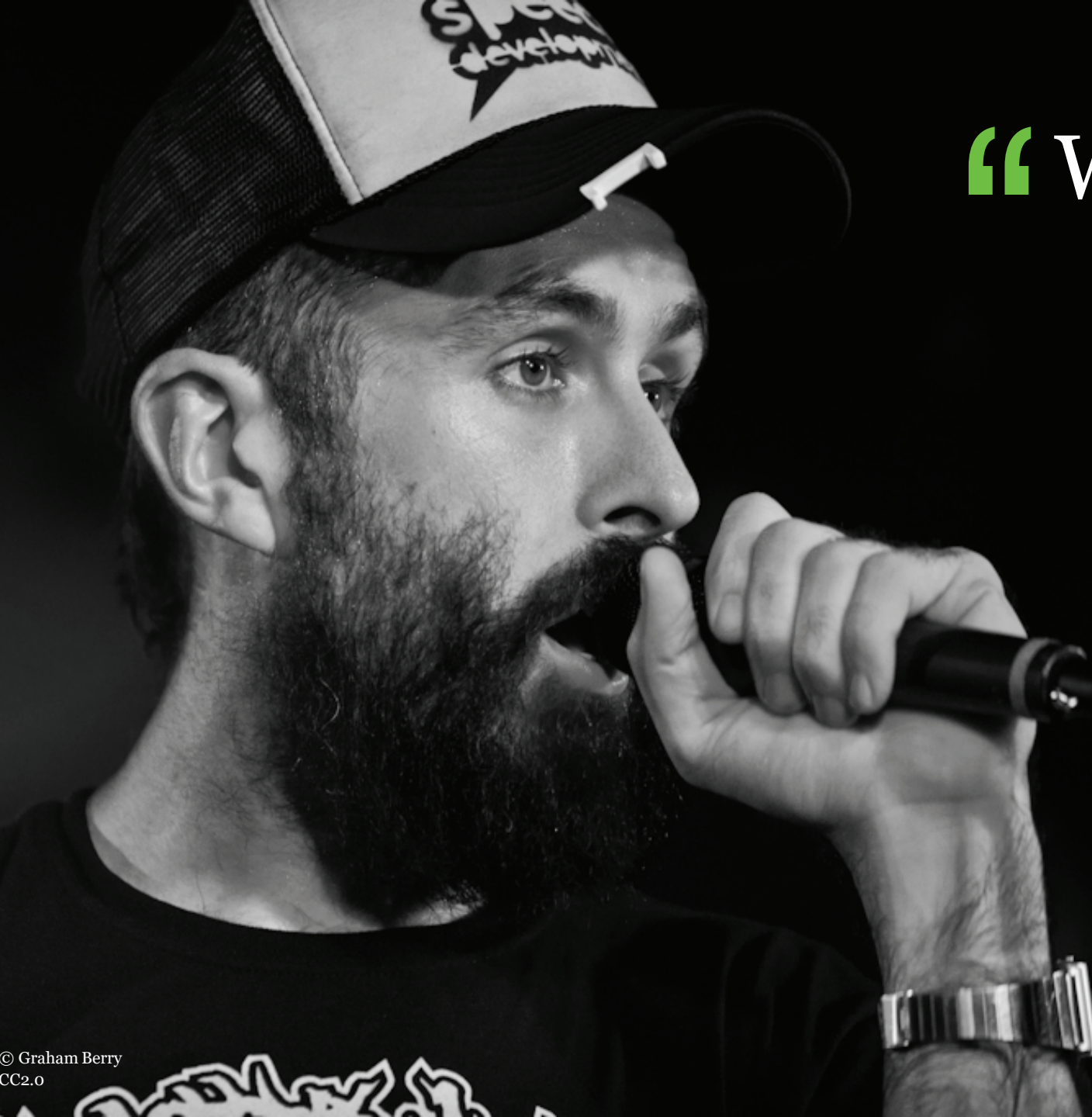
+940.9%

\$1.65m → \$17.18m
1978 → 2018

Average private sector worker pay*

+11.9%

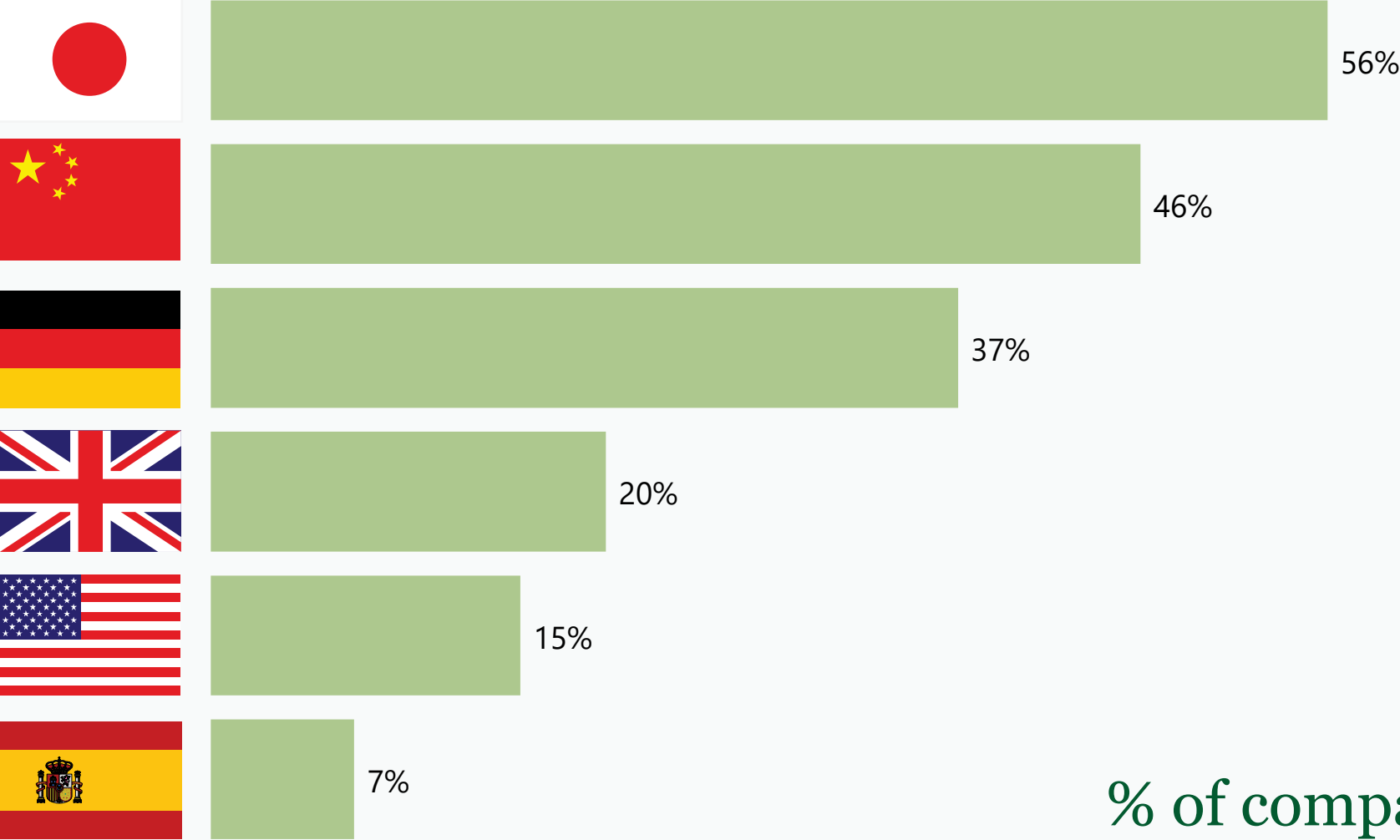
\$0.05m → \$0.06m
1978 → 2018



“ Whether it be greed, lust, or just plain vindictiveness, there’s a level of malevolence inside of all of us. ”

Scroobius Pip

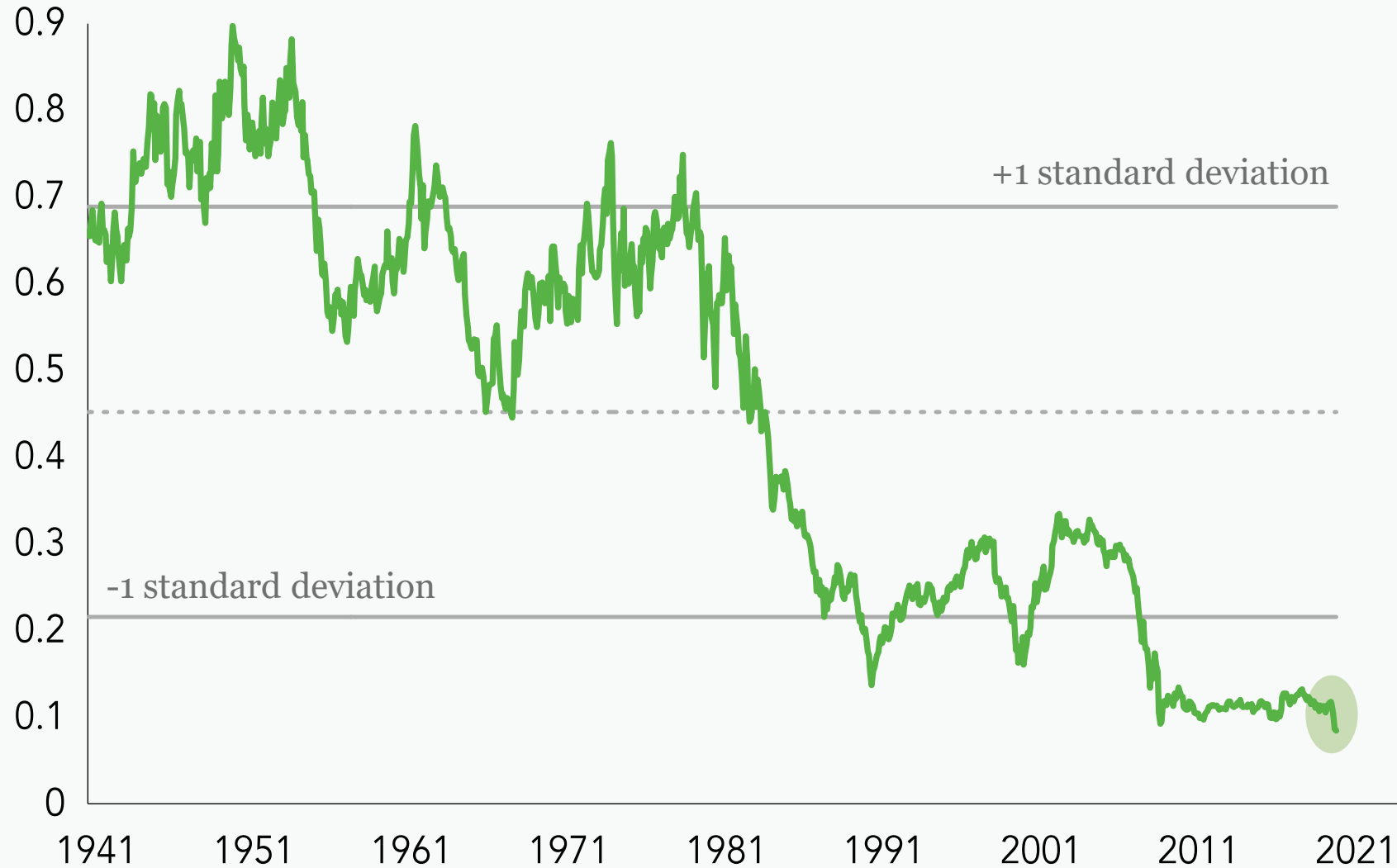
The trade-off between resilience and optimisation



% of companies with net cash

Source: CLSA, FactSet. Data as at 21 April 2020

Banks are no longer the issue



2006

8%

2019

14%



Adecco



HOYA



ArcelorMittal

eHealth[®]

Conventional bonds
may fail to protect

Equity like returns... from bonds

S&P 500

5.4%

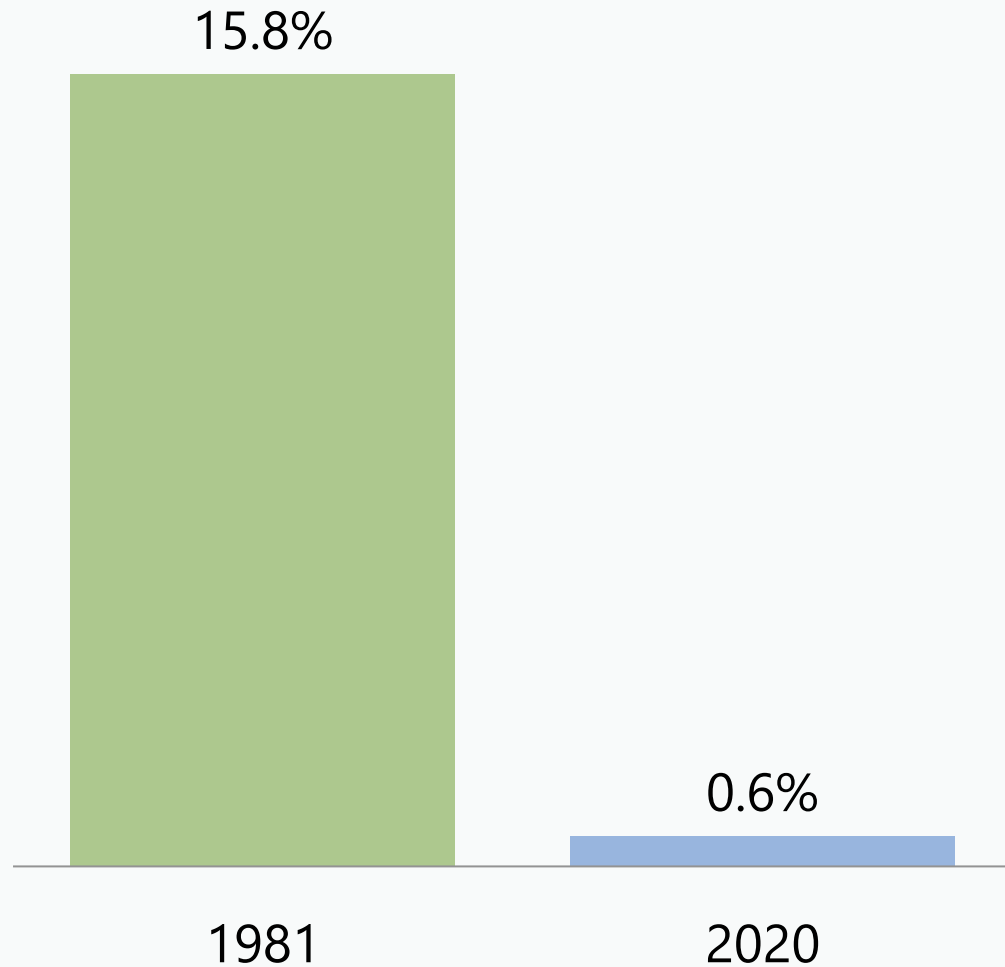
US treasuries

8.3%

IG credit

7.7%

Offset bad, offset good



In 1981, few people thought US 10 year Treasuries were a good offset.
Now most do!

How do you repeat the trick?

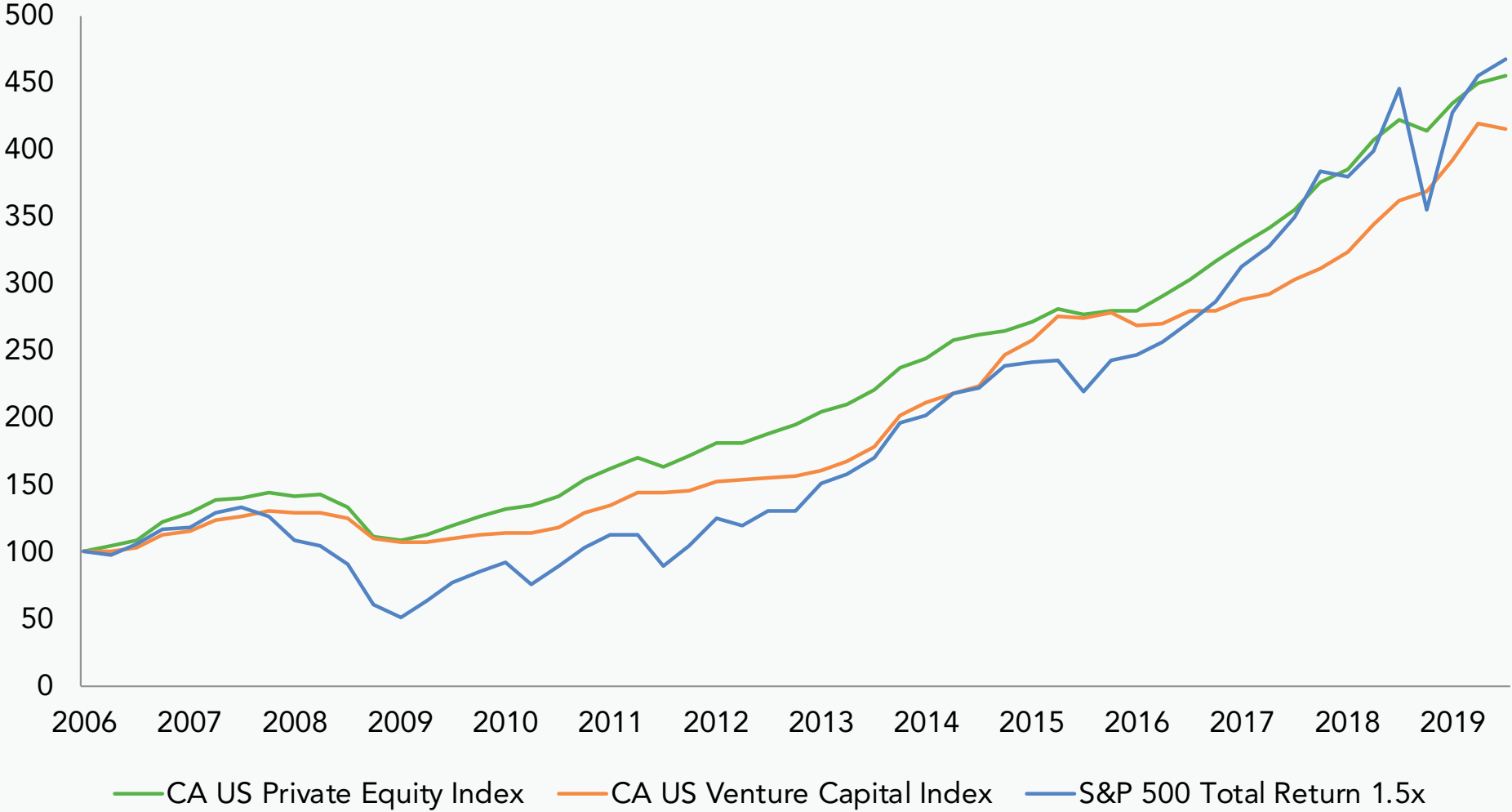
-13%

Balanced portfolios are not the answer



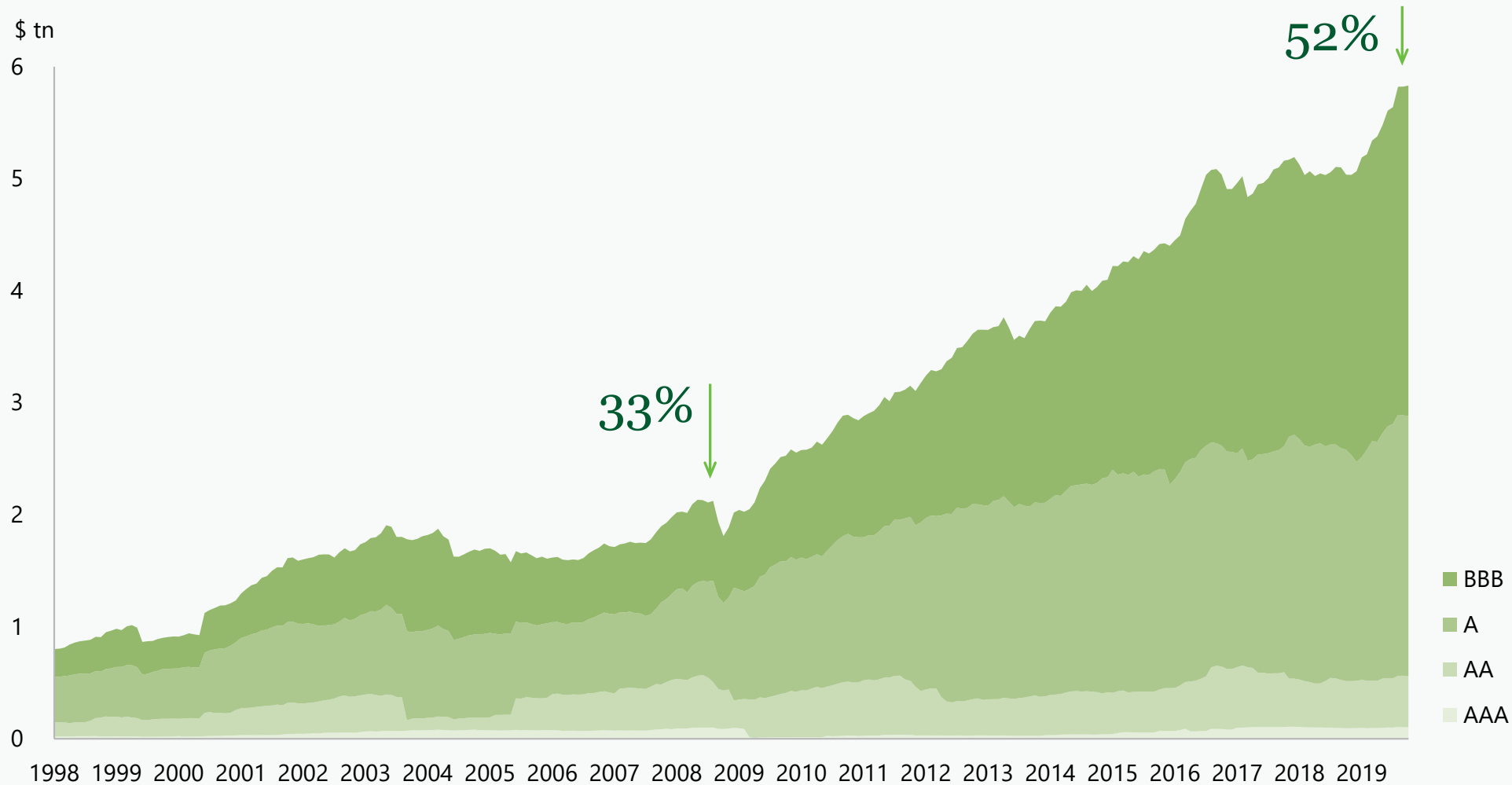
So what is?

To PE or to VC, that is the question



Source: Cambridge Associates Private Investment Benchmarks. S&P 500 TR 1.5x versus US VC and US PE benchmarks

Central Banks can provide liquidity, not solvency



Protection against credit distress remains cheap



The end destination
may be inflationary

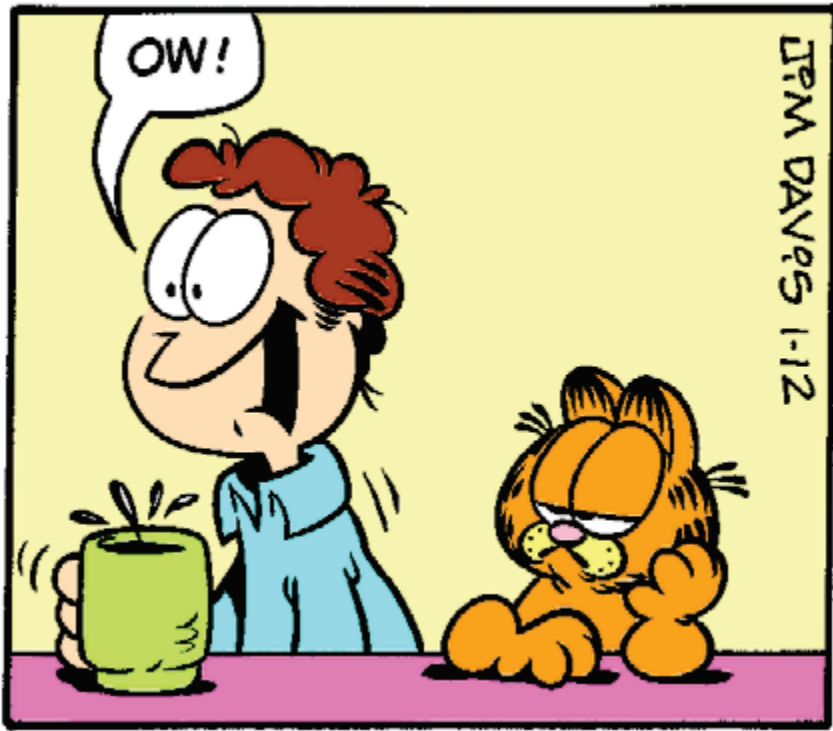
**Bloomberg
Businessweek**

April 22, 2019

Is Inflation Dead?



A new era has some frightening downsides



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CO-OPERATIVE



COMMUNITY
The Co-operative gave over
£10.4 million
back to the
community
in 2007

SUSTAINABLE
We're helping to
protect the
world's
forests

Dog food
Cat food

5

Men's toiletries
Haircare
Kitchen

PRICES
TO HELP YOU

PRICES
TO HELP YOU

6

Laundry detergents
Household

Beers

Fiscal spending is here

Infrastructure spending

‘Green new deal’


‘People’s QE’

MMT

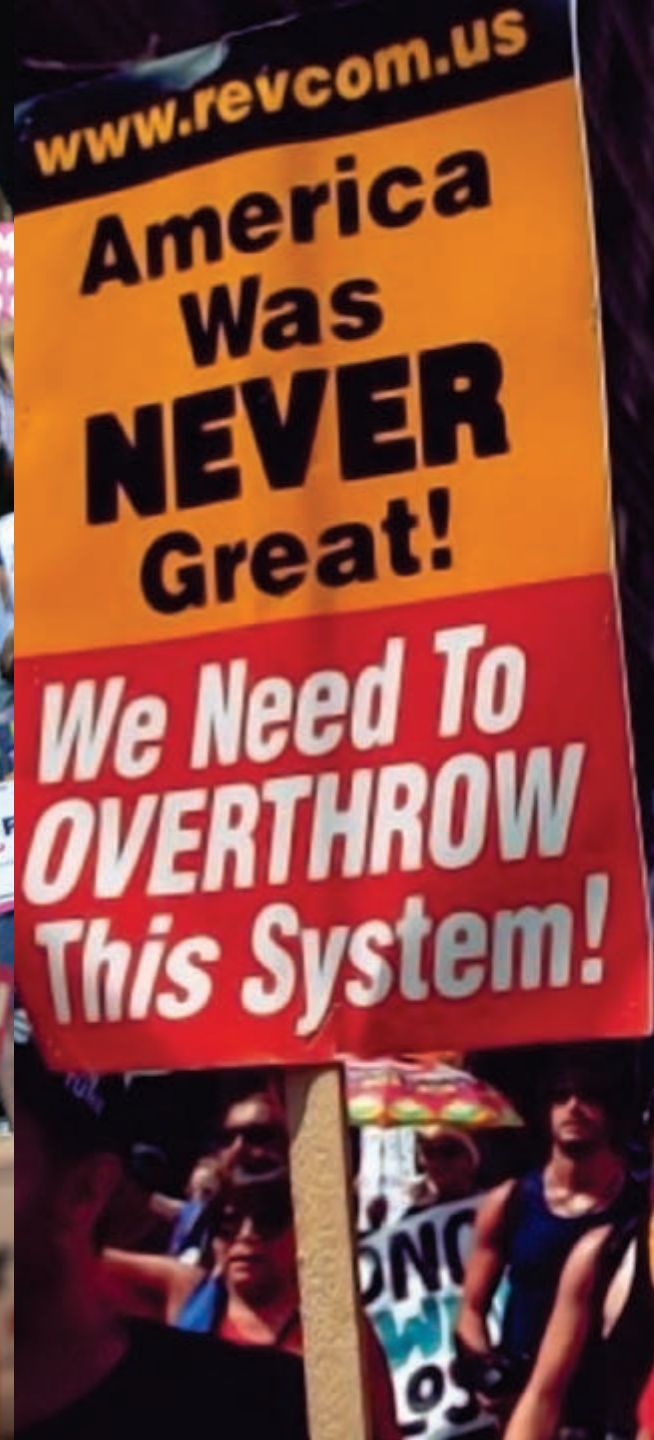
Furlough schemes

Debt jubilees



A person wearing a Guy Fawkes mask and a black hat is holding a large white sign with bold black text. The sign reads: "WHY-PAY-TAXES WHEN-THEY-CAN JUST-PRINT-MONEY". The person is standing in a crowd at night, with city lights and buildings visible in the background. Other people are visible in the crowd, some taking photos with their phones.

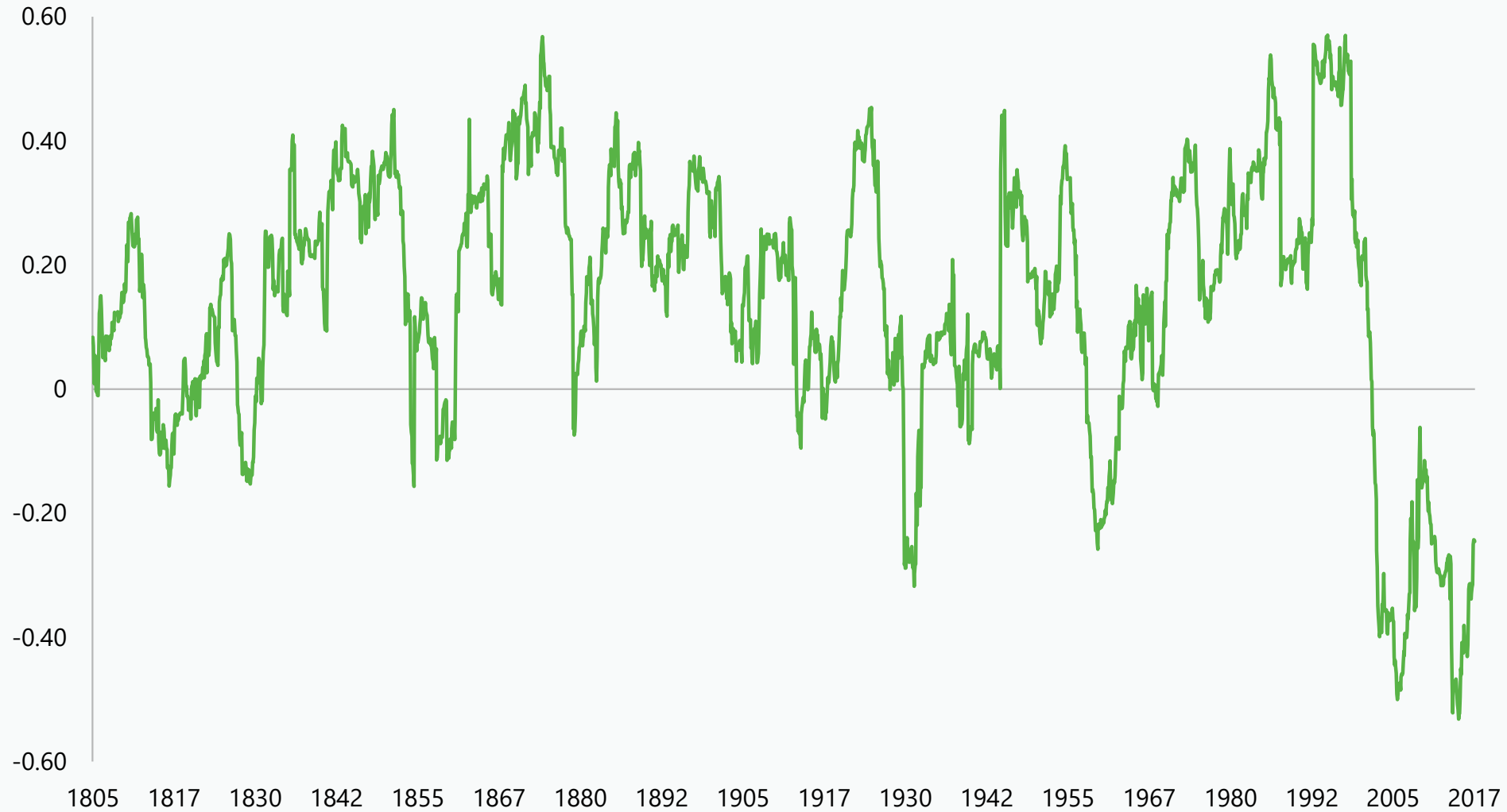
**WHY-PAY-TAXES
WHEN-THEY-CAN
JUST-PRINT-MONEY**

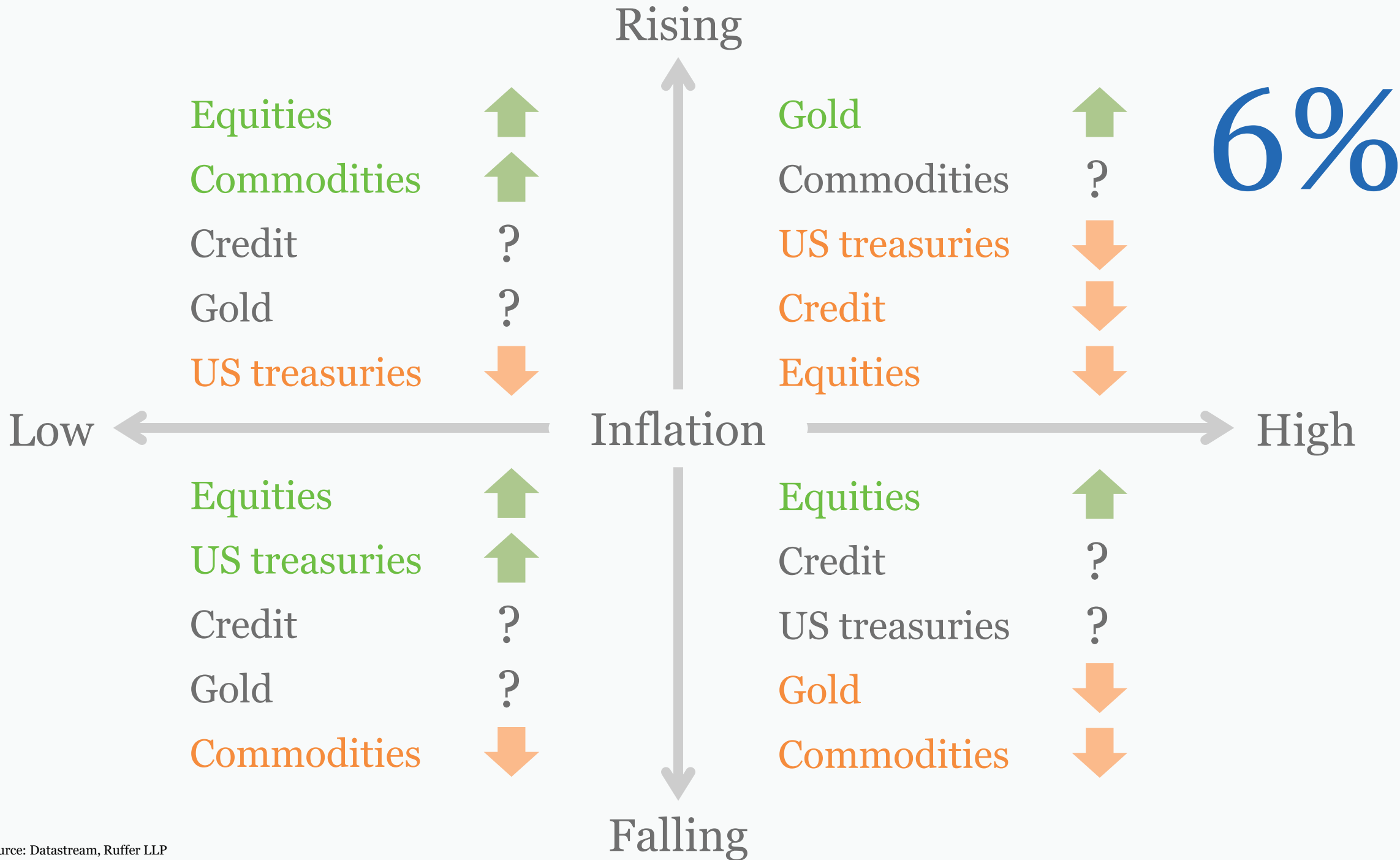


“ Nothing is so permanent
as a temporary
government program. ”

Milton Friedman

The exception, not the rule





Inflation-linked bonds can protect against financial repression



Source: Bloomberg

“ Those who make peaceful revolution impossible, make violent revolution inevitable. ”

John F Kennedy



R U F F E R