

Ruffer Investment Company Limited

An alternative to alternative asset management



March 2016 Issue 130

After allowing for the dividend paid during the month (1.7p per share) the net asset value rose by 2.3% during March. This compares with a rise of 1.9% in the FTSE All-Share Total Return index.

While it is always pleasant to report on a month in which the NAV rose in value, financial market conditions at present could not honestly be described as healthy. Indeed we would say that bi-polar would be a more apposite characterisation. Having spent January and early February fretting that central banks had run out of options, risk assets have rallied strongly over the last six weeks, with the icing on the cake being soothing words out of the March meeting of the US Federal Reserve, whereby interest rate expectations for the balance of 2016 were guided down. This manic depressive nature of financial markets is to our minds symbolic of two features. There is still a high number of crowded positions, which coupled with lower liquidity, have the capacity to boost volatility and magnify movements when investors wish to change direction. Secondly the global economic system is approaching something of a tipping point, where we will witness one of two very different outcomes: a normalisation (of sorts) of monetary policy, whereby economic growth returns and interest rates can be nudged away from emergency levels, or the failure of monetary policy, where the conviction grows that the main outcome of unconventional monetary policy has been the inflation of assets not economies, that any transmission mechanism to the real economy has been feeble in its operation, and that monetary policy itself cannot carry the day.

While we are firmly in the camp that argues for the second outcome, we are not blind to the fact that in most jurisdictions such a policy shift will take time. Much of the push for more active fiscal policy presently comes either from those not holding the levers of power, such as the IMF, or from opposition politicians. With markets likely to continue to veer between these two outcomes, and timing such shifts as much a mug's game as ever, our present challenge is to have a portfolio that can cope with both outcomes. Within our equity selection that means, unfashionably, largely eschewing the 'bond like' equities that have done investors proud in recent years, and contrariwise owning some cyclical equity exposure.

Already we are seeing the intellectual ground move around this debate. Markets blew a loud raspberry to the Bank of Japan's move to negative nominal interest rates at the end of January, deeming this as at best the last throw of the dice and at worst a policy mistake. Meanwhile last month's budget in Canada has set in train a live experiment in fiscal expansion, with Mr Trudeau's newly-elected government raising its deficit forecasts to fund infrastructure spending and cash handouts for those on lower incomes, with the full approval of the Bank of Canada. The helicopter might not have taken off, but the rotors are certainly beginning to whirl.

There is another salient aspect of this debate. Evidence is growing that central banks are growing frustrated at being the only game in town, not least because years of ultra-accommodative monetary policy carries with it enormous moral hazard and threatens their cherished financial stability objectives. To that extent while not being vocal about it, they would almost certainly welcome the opportunity to share the burden with governments of restoring a sustainable growth dynamic to the global economic system.

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 %	March 2016	Year to date	1 year	3 years	5 years	10 years
Total return NAV	2.3	0.1	-4.9	1.1	14.8	98.6
Share price TR ¹	2.2	-2.9	-7.3	-3.2	9.2	86.7

¹Assumes re-investment of dividends

Percentage growth in total return NAV	%	As at 31 March 2016	p
31 Mar 2015 – 31 Mar 2016	-4.9	Share price	202.00
31 Mar 2014 – 31 Mar 2015	8.6	Net Asset Value (NAV) per share	205.57
			%
31 Mar 2013 – 31 Mar 2014	-2.1	Premium/discount to NAV	-1.7
31 Mar 2012 – 31 Mar 2013	9.3	NAV total return since inception ²	151.6
31 Mar 2011 – 31 Mar 2012	3.9	Standard deviation ³	1.92
		Maximum drawdown ³	-8.61

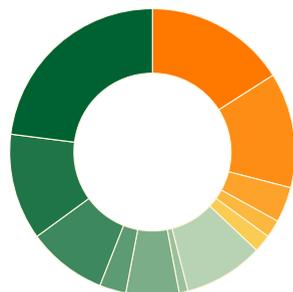
Source: Ruffer AIFM Limited

²Including 31.0p of dividends ³Monthly data (total return NAV)

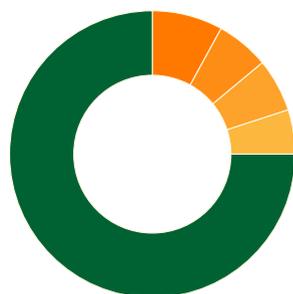
Ruffer performance is shown after deduction of all fees and management charges, and on the basis of income being reinvested. Past performance is not a guide to future performance. The value of the shares and the income from them can go down as well as up and you may not get back the full amount originally invested. The value of overseas investments will be influenced by the rate of exchange.

Ruffer Investment Company Limited as at 31 Mar 2016

Portfolio structure



Asset allocation	%		%
● Non-UK index-linked	23	● Japan equities	16
● Long dated index-linked	12	● North America equities	13
● Index-linked gilts	9	● UK equities	4
● Gold and gold equities	6	● Asia ex-Japan equities	2
● Cash	3	● Europe equities	2
● Options	1		
● Illiquid strategies	9		



Currency allocation	%
● Sterling	75
● Yen	8
● US dollar	6
● Gold	6
● Other	5

5 largest of 11 bond holdings

Stock	% of fund	Stock	% of fund
1.875% Treasury index-linked 2022	6.6	The Boeing Company	2.1
0.375% Treasury index-linked 2062	5.0	T&D Holdings	1.8
US Treasury 0.625% TIPS 2021	4.6	Sumitomo Mitsui Financial Group	1.7
1.25% Treasury index-linked 2055	4.3	Mitsubishi UFJ Finance	1.7
US Treasury 0.125% TIPS 2023	3.9	Lockheed Martin	1.3

5 largest of 49 equity holdings*

Stock	% of fund
The Boeing Company	2.1
T&D Holdings	1.8
Sumitomo Mitsui Financial Group	1.7
Mitsubishi UFJ Finance	1.7
Lockheed Martin	1.3

Source: Ruffer AIFM Limited

*Excludes holdings in pooled funds

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 fund against any specific investor's needs and/or risk tolerance. If you are in any doubt, please speak to your financial adviser.

The fund data displayed is designed only to provide summary information and the report does not explain the risks involved in investing in the fund. Any decision to invest must be based solely on the information contained in the Prospectus and the latest report and accounts.

NAV £320.4m Market capitalisation £314.8m Shares in issue 155,838,416

Company information

Annual management charge (no performance fee)	1.0%
Total Expense Ratio	1.18%
Ex dividend dates	March, September
NAV valuation point	Weekly – Friday midnight Last business day of the month
Stock ticker	RICA LN
ISIN	GB00B018CS46
SEDOL	B018CS4
Investment Manager	Ruffer AIFM Limited
Administrator	Northern Trust International Fund Administration Services (Guernsey) Limited
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

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.



Steve Russell

INVESTMENT DIRECTOR

Graduated from Oxford in PPE and started work as an equity analyst at Confederation Life in 1987, progressing to Head of Equities. In 1999 he moved to HSBC Investment Bank as Head of UK and European Equity Strategy, before joining Ruffer in 2003. He is also co-manager of the CF Ruffer Total Return Fund.



Ruffer

The Ruffer Group manages investments on a discretionary basis for private clients, trusts, charities and pension funds. As at 31 March 2016, assets managed by the group exceeded £18.2bn.

Enquiries

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