

Ruffer Investment Company Limited

An alternative to alternative asset management



June 2016 Issue 133

During June the net asset value rose by 3.5%. This compares with a rise of 2.8% in the FTSE All-Share Total Return index. The Company's shares currently trade on a discount of 1% to net asset value.

The combination of the frequency of these monthly reviews and a long term investment horizon often means that there is little material change to report. In terms of market events the month of June was no such case; there was only one subject under discussion. We usually refrain from commenting on short term performance, but in this instance an elaboration on the various moving parts of the portfolio may be informative for investors. Our intention was to go into the vote in neutral gear – we could not have an insight into the outcome of the referendum and with our principal objective being one of capital preservation we prefer not to make binary bets. Positive contributions from index-linked bonds (+3.50%), gold (+1.15%) and a small amount in foreign currencies (+1.16%) outweighed the losses in our (relatively low) equity positions (-2.06%). The US and European equities produced small positive returns in local currency terms. The objective of having a neutral stance was therefore achieved even without the fair wind of a weak base currency (we were largely hedged back into sterling believing that it would strengthen sharply in the event of a Remain vote). Had the vote gone the other way then it is probable that we would have broken even. In this context producing a healthy positive return over the month is a pleasing outcome.

Perhaps the more interesting question is how we react to recent events. We selectively added to some UK equity positions immediately after the vote, focussing on companies, which, in our view, had unjustifiably sold-off when their businesses are not materially affected by a possible Brexit. However, most of the Company's core positions remain intact for two reasons. Firstly, the political fallout from the result is far from clear. Secondly, the global economic risks, which were in evidence prior to the Brexit debate, remain in place. The world is awash with debt that could not be serviced at 'normal' interest rates, global economic growth is too low to have any hope of deleveraging, inflation looks like the most likely 'solution' but this will punish savers and finally confidence in highly valued assets could plummet quickly when there is a shock to markets. Brexit is significant, but these matters are arguably of greater importance in a globally invested portfolio.

Paradoxically, Brexit and the related implications take us a step closer to the denouement we anticipate. The reaction function of central banks and governments to keep the show on the road remains intact with one subtle difference; central banks have openly stated that monetary policy is running out of road and requires the support of government induced fiscal stimulus. This is already in evidence with Osborne's kite-flying of a corporation tax cut, various housing-related policies, a lightening of the regulatory capital requirements placed on banks and the public debate on helicopter money overcoming its taboo status and hitting the mainstream. In the short term this may help steady the ship, but it sets a hare running that will be difficult to control.

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 %	June 2016	Year to date	1 year	3 years	5 years	10 years
Total return NAV	3.5	3.8	-1.0	4.0	18.0	111.2
Share price TR ¹	2.6	1.3	-3.4	2.7	13.0	98.7

¹Assumes re-investment of dividends

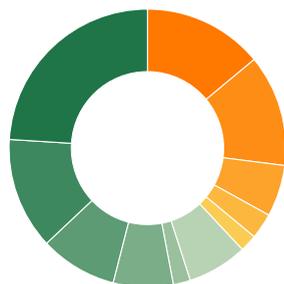
Percentage growth in total return NAV	%	As at 30 June 2016	p
30 Jun 2015 – 30 Jun 2016	-1.0	Share price	211.00
30 Jun 2014 – 30 Jun 2015	7.9	Net Asset Value (NAV) per share	213.01
			%
30 Jun 2013 – 30 Jun 2014	-2.6	Premium/discount to NAV	-0.9
30 Jun 2012 – 30 Jun 2013	13.8	NAV total return since inception ²	160.7
30 Jun 2011 – 30 Jun 2012	-0.3	Standard deviation ³	1.91
		Maximum drawdown ³	-8.61

Source: Ruffer AIFM Limited

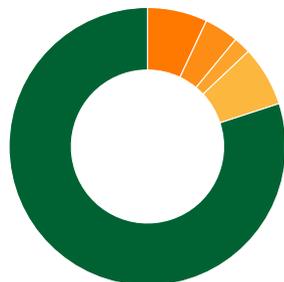
²Including 31.0p of dividends ³Monthly data (total return NAV)

Ruffer Investment Company Limited as at 30 June 2016

Portfolio structure



Asset allocation	%		%
● Non-UK index-linked	24	● Japan equities	14
● Long dated index-linked	13	● North America equities	13
● Index-linked gilts	9	● UK equities	6
● Gold and gold equities	7	● Europe equities	3
● Cash	2	● Asia ex-Japan equities	2
● Illiquid strategies	7		



Currency allocation	%
● Sterling	80
● Gold	7
● US dollar	4
● Yen	2
● Other	7

5 largest of 12 bond holdings

Stock	% of fund	Stock	% of fund
1.875% Treasury index-linked 2022	6.6	T&D Holdings	1.7
0.375% Treasury index-linked 2062	5.8	Mitsubishi UFJ Finance	1.7
0.125% Treasury index-linked 2068	5.0	Sumitomo Mitsui Financial Group	1.7
US Treasury 0.625% TIPS 2021	4.9	Lockheed Martin	1.4
US Treasury 0.125% TIPS 2023	4.2	ExxonMobil	1.3

Source: Ruffer AIFM Limited

5 largest of 53 equity holdings*

Stock	% of fund
T&D Holdings	1.7
Mitsubishi UFJ Finance	1.7
Sumitomo Mitsui Financial Group	1.7
Lockheed Martin	1.4
ExxonMobil	1.3

*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 £332.0m Market capitalisation £328.8m 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 30 June 2016, assets managed by the group exceeded £18.8bn.

Enquiries

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