

# Ruffer Investment Company Limited

An alternative to alternative asset management



October 2016 Issue 137

During October the net asset value rose by 1.7%. This compares with a rise of 0.6% in the FTSE All-Share Total Return index. Robust demand for the Company's shares has seen the premium grow during the month and as a result the board used the blocklisting facility to issue shares shortly after the month end. As always, this was NAV accretive to existing shareholders, is intended to put a lid on the rise in the premium and should improve liquidity in the Company's shares.

There have been two main dynamics in play during October, one very much a domestic phenomenon, the other more global. In the first instance the term 'hard Brexit' became part of the financial market lexicon, and UK-based assets suffered accordingly. The pound fell 6%, gilts fell by a similar amount, and although UK equity markets made a small gain much of this can be accounted for by overseas earnings. Further afield global bond yields have continued their rise from extraordinary lows, prices falling, as investors have begun to acknowledge the nonsense of lending money to governments with the guarantee of a capital loss. Market participants have pointed the finger at the prospect of slightly higher inflation as the culprit. Inflation-linked gilts have thus fared better than their conventional equivalents, as the market's expectation of future inflation has started to rise.

Inflation measures the change in prices over a given year. As such inflation numbers experience a phenomenon known as base effect. If the price of a good which has fallen a great deal, in this case oil, stabilises, or indeed rises, the inflation numbers will pick up. We are now in just such a phase, and inflation is going to be mechanically higher in the immediate future in most developed economies, the UK more than most given the collapse in sterling. Central bank messaging is that this inflation is welcome; in the short term they won't react with higher interest rates letting economies 'run hot'. The idea is that by doing so they can return inflation, and implicitly interest rates, to a more 'normal' level. All the major central banks have been encouraging steeper nominal interest rate curves, and indeed long-dated yields globally have increased. Emboldened by their success we would expect policy makers to continue on the same tack. It is for this reason that we hold a small, (c 0.5%), portion of the Company in interest rate options that rise in value in the event that bond yields rise. These potent instruments have enabled us to weather the small rises in bond yields thus far, and to offset any losses in index-linked bonds.

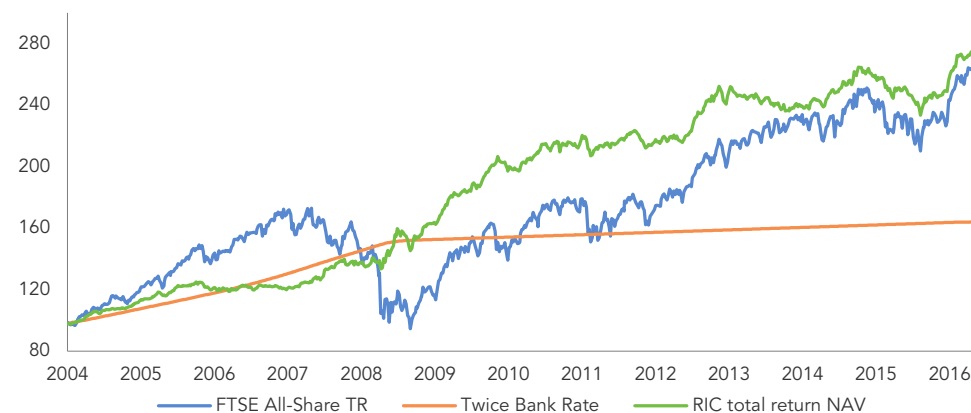
In the portfolio we have kept equities below 40% in view of the present risks, but those stocks we have selected should respond well if growth remains positive. In the last months new purchases have focussed on more economically-sensitive areas such as banks, oil services and cement producers. If economic conditions remain benign we want to ensure we have enough equity exposure to make positive headway.

The Company's AGM will be held on 30 November at Northern Trust's offices in Guernsey. Duncan MacInnes and Hamish Baillie will attend on behalf of Ruffer. Please contact Northern Trust or Cenkos if you would like to attend.

## 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 %	October 2016	Year to date	1 year	3 years	5 years	10 years
Total return NAV	1.7	11.9	9.7	11.8	28.6	128.3
Share price TR <sup>1</sup>	3.1	12.9	12.1	11.1	29.1	137.3

<sup>1</sup>Assumes re-investment of dividends

Percentage growth in total return NAV	%	As at 31 October 2016	p
30 Sep 2015 – 30 Sep 2016	10.9	<b>Share price</b>	<b>235.00</b>
30 Sep 2014 – 30 Sep 2015	0.7	<b>Net Asset Value (NAV) per share</b>	<b>227.98</b>
30 Sep 2013 – 30 Sep 2014	-0.6		%
30 Sep 2012 – 30 Sep 2013	11.7	Premium/discount to NAV	3.1
30 Sep 2011 – 30 Sep 2012	2.3	NAV total return since inception <sup>2</sup>	181.1
		Standard deviation <sup>3</sup>	1.92
		Maximum drawdown <sup>3</sup>	-8.61

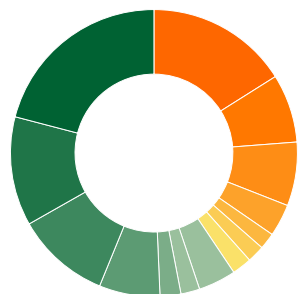
Source: Ruffer AIFM Limited, FTSE International (FTSE)<sup>†</sup>

<sup>2</sup>Including 32.7p of dividends <sup>3</sup>Monthly data (total return NAV)

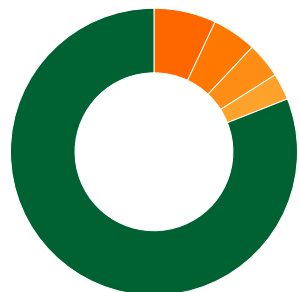
Ruffer performance is shown after deduction of all fees and management charges, and on the basis of income being reinvested. Past performance is not a guide to future performance. The value of the shares and the income from them can go down as well as up and you may not get back the full amount originally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

# Ruffer Investment Company Limited as at 31 Oct 2016

## Portfolio structure



Asset allocation	%		%
● Non-UK index-linked	21	● Japan equities	16
● Long dated index-linked	12	● UK equities	8
● Index-linked gilts	11	● North America equities	7
● Gold and gold equities	7	● Europe equities	4
● Cash	2	● Asia ex-Japan equities	2
● Options	2	● Other	2
● Protective illiquid strategies	4	● Growth illiquid strategies	2



Currency allocation	%
● Sterling	81
● Gold	7
● Yen	4
● US dollar	3
● Other	5

## 5 largest of 13 bond holdings

Stock	% of fund	Stock	% of fund
1.875% Treasury index-linked 2022	6.4	T&D Holdings	2.5
0.375% Treasury index-linked 2062	6.2	Lloyds Banking Group	1.5
0.125% Treasury index-linked 2068	5.5	Sumitomo Mitsui Financial Group	1.4
US Treasury 0.625% TIPS 2021	5.0	Mitsubishi UFJ Finance	1.3
US Treasury 0.125% TIPS 2023	4.3	Fujitsu	1.2

Source: Ruffer AIFM Limited

## 5 largest of 57 equity holdings\*

Stock	% of fund
T&D Holdings	2.5
Lloyds Banking Group	1.5
Sumitomo Mitsui Financial Group	1.4
Mitsubishi UFJ Finance	1.3
Fujitsu	1.2

\*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 £355.3m Market capitalisation £366.2m 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

† © FTSE 2016. 'FTSE®' is a trade mark of London Stock Exchange Group companies and is used by FTSE under licence. All rights in the FTSE Data vest in FTSE and/or its licensors. Neither FTSE nor its licensors accept any liability in relation to the FTSE Data data. No further distribution of FTSE Data is permitted without FTSE's express written consent.

## Enquiries

Ruffer AIFM Ltd  
80 Victoria Street  
London SW1E 5JL

+44 (0)20 7963 8254  
rif@ruffer.co.uk  
www.ruffer.co.uk

## 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.



### Duncan MacInnes

INVESTMENT MANAGER

Joined Ruffer in 2012. He graduated from Glasgow University School of Law in 2007 and spent four years working at Barclays Wealth and Barclays Capital in Glasgow, London and Singapore. Duncan is a CFA charterholder.



## Ruffer

The Ruffer Group manages investments on a discretionary basis for private clients, trusts, charities and pension funds. As at 31 October 2016, assets managed by the group exceeded £20.4bn.