

# Ruffer Investment Company Limited

An alternative to alternative asset management



January 2017 Issue 140

During January the Company's net asset value (NAV) rose by 1.2%. This compares with a decline of 0.3% in the FTSE All-Share Total Return Index.

As is the case every year, 2017 began with a blizzard of forecasts and global prognostications from analysts, strategists and others of the now derided class formerly known as 'experts'. Many of the same boffins who were confidently forecasting President Trump as a left tail event and a negative market shock just six months ago are now equally confident in anticipating a mini-boom in GDP fired by his policies of deregulation and tax-cuts. Given the heat and noise of the political and moral debate, never has the Buffetism been truer than forecasts usually tell us more of the forecaster than of the future.

Whilst investors have reacted positively over the last couple of months, we are, we think, reaching a point where the market will require proof of success before advancing much further. Accordingly our principal activity in January was to cut back equity exposure to about 38% of net assets, taking profits in a range of stocks including Qualcomm, Microsoft, Conviviality Retail and Oracle. This leaves us going into the uncertainties of 2017 with, we hope, approximately the right balance between fear and greed in the portfolio. In the fear corner we have index-linked bonds and some gold, to protect not only against inflation and negative real interest rates, but also standing guard against surprise economic weakness, should Trump misfire. In the greed camp the equities are now turned toward cyclical and financials, so as to benefit, should the current more positive growth environment persist, bringing with it the threat of higher interest rates.

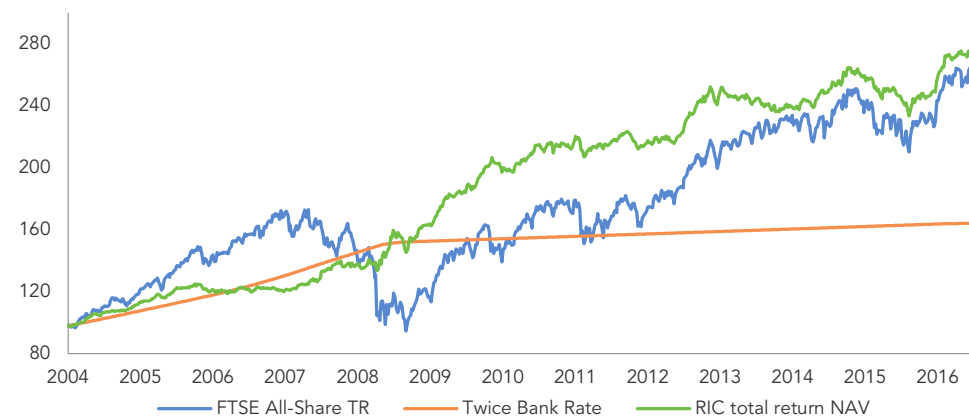
Looking back to the events of last year, and their likely influence on markets in 2017, we are reminded of a quotation from the unlikely source of Vladimir Lenin: 'There are decades where nothing happens; and there are weeks where decades happen.' Will history show that Brexit or Trump were such moments in time? If one looks through a long enough lens, the period since 2009 feels like a single chapter in history. These post crisis years were defined by a faltering sense of recovery, a dwindling of confidence in the competency and integrity of the establishment and surprisingly strong asset returns spurred on by super low interest rates. The latter point ensured that wealth and inter-generational inequality widened leading to dissatisfaction with the status quo. Asset owners benefited and those whose only asset was their labour did not. The game is rigged, they sensed, and to some extent, it was.

The political context changed last year and we must recognise this. The second half of 2016 was the beginning of a new chapter as yet unwritten and the longer electorates see that rebellion does not result in the threatened economic calamity, the more emboldened they will be to depose those in power. For now, markets are still (just) reacting positively to the policy proposals emerging from the Trump camp. However, the pandemic themes of nationalism, de-globalisation and soaking the rich are hardly a positive environment for savers and investors. Asset prices have benefited from the Goldilocks scenario of a little growth, benign inflation and unprecedentedly low interest rates. If inflation and growth improve then interest rates would have to rise, thereby tightening financial conditions. Counterintuitively, history tells us that strong growth can be bad for the stock market when coupled with either higher inflation or higher interest rates. Investors should be careful what they wish for.

## 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 %	January 2017	Year to date	1 year	3 years	5 years	10 years
Total return NAV	1.2	1.2	15.8	16.4	28.9	131.3
Share price TR <sup>1</sup>	0.9	0.9	17.9	15.2	27.0	144.3

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

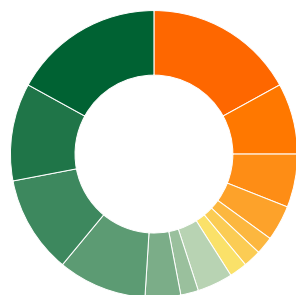
Percentage growth in total return NAV	%	As at 31 January 2017	p
30 Dec 2015 – 30 Dec 2016	12.4	<b>Share price</b>	<b>236.50</b>
30 Dec 2014 – 30 Dec 2015	-1.0	<b>Net Asset Value (NAV) per share</b>	<b>231.74</b>
			%
30 Dec 2013 – 30 Dec 2014	1.8	Premium/discount to NAV	2.1
30 Dec 2012 – 30 Dec 2013	9.5	NAV total return since inception <sup>2</sup>	185.8
30 Dec 2011 – 30 Dec 2012	3.4	Standard deviation <sup>3</sup>	1.91
		Maximum drawdown <sup>3</sup>	-8.61

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

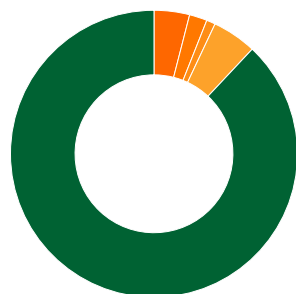
<sup>2</sup>Including 32.7p of dividends <sup>3</sup>Monthly data (total return NAV)

# Ruffer Investment Company Limited as at 31 Jan 2017

## Portfolio structure



Asset allocation	%		%
● Non-UK index-linked	17	● Japan equities	17
● Index-linked gilts	11	● UK equities	8
● Long-dated index-linked	11	● North America equities	6
● Cash	10	● Europe equities	4
● Gold and gold equities	4	● Asia ex-Japan equities	2
● Options	2	● Other	2
● Protective illiquid strategies	4	● Growth illiquid strategies	2



Currency allocation	%
● Sterling	88
● Gold	4
● Yen	2
● US dollar	1
● Other	5

## 5 largest of 13 bond holdings

Stock	% of fund
1.875% Treasury index-linked 2022	6.5
0.375% Treasury index-linked 2062	5.7
0.125% Treasury index-linked 2068	5.1
US Treasury 0.625% TIPS 2021	4.7
US Treasury 0.125% TIPS 2023	4.0

Source: Ruffer AIFM Limited

## 5 largest of 56 equity holdings\*

Stock	% of fund
T&D Holdings	2.9
Lloyds Banking Group	2.0
Mitsubishi UFJ Finance	1.6
Sumitomo Mitsui Financial Group	1.4
Mitsubishi Electric	1.3

\*Excludes holdings in pooled funds

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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 £368.5m Market capitalisation £376.1m Shares in issue 159,013,416

## 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

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## 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 January 2017, assets managed by the group exceeded £20.8bn.