

# Ruffer Investment Company Limited

An alternative to alternative asset management



During May the Company's net asset value rose by 0.3%. This compares with a rise of 4.4% in the FTSE All-Share Index.

As has been the case for much of the last year, politics continued to be the dominant feature of May. As expected, Monsieur Macron defeated Madame Le Pen in the second round of the French election, to little fanfare. Further afield we had the threat of two presidents (Temer and Trump) being impeached within the same week. Both events saw risk assets swoon, although composure was recovered as investors acknowledged that corruption is par for the course for Brazilian presidents and the Republican party showed no appetite for railing against Mr Trump and his venomous Twitter account. Global equities finished the month within touching distance of the all-time highs seen at the end of 2016. By the time this is published we will know the result of the UK election, where anything less than an expanded Conservative majority will be seen as a failure for Theresa May. As the polls have tightened in recent days sterling has given back some of its recent gains. We maintain a substantial exposure to sterling, not as we have any particular insight into the outcome of the election, but more as a reflection of the substantial short positions that exist in the pound.

Without wanting to dwell further on politics, it is worth noting that the Conservative manifesto pledges to balance the budget by 2025-2026, much later than they previously anticipated. This represents further evidence that the balance is continuing to shift from monetary to fiscal policy on a global scale. This development is unlikely to be binary, but given the ever rising populist tide it is likely that governments will continue to need to take a greater part in supporting the economy. It remains our view that this will continue until a point where inflation starts to rise, and it is an open question as to whether the bond markets will be accepting of higher rates, and what impact this may have on equity valuations. Our long-held view is that this shift in regime is unlikely to be positive for either market, but that the portfolio's inflation-linked bonds and gold exposure, combined with the opportune use of more esoteric protections such as derivatives, will hopefully allow us to preserve capital through what will be an extremely damaging period for asset holders and savers alike.

As ever, timing such inflection points is harder than identifying them, and it is for this reason we maintain our equity weightings at around 40%. The current regime of low interest rates and steadily recovering global economies will, absent any exogenous shocks, be positive for equity markets despite their obviously stretched valuations. In this context we have recently added a new holding in drug distribution business McKesson, which with a free cash flow yield in excess of 10% and a price-to-earnings (PE) ratio of 13x, represents one of the few remaining 'bond-like' equities without an extreme valuation. Additionally, the aforementioned turmoil in Brazil presented an opportunity to buy into the high quality fuel distribution business Ultrapar.

## 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 %	May 2017	Year to date	1 year	3 years	5 years	10 years
Total return NAV	0.3	1.0	13.2	16.3	30.4	129.5
Share price TR <sup>1</sup>	0.2	1.6	16.1	19.6	31.5	147.1

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

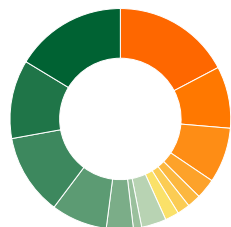
Percentage growth in total return NAV	%	As at 31 May 2017	p
31 Mar 2016 – 31 Mar 2017	12.8	<b>Share price</b>	<b>237.75</b>
31 Mar 2015 – 31 Mar 2016	-4.9	<b>Net Asset Value (NAV) per share</b>	<b>230.27</b>
			%
31 Mar 2014 – 31 Mar 2015	8.6	Premium/discount to NAV	3.2
31 Mar 2013 – 31 Mar 2014	-2.1	NAV total return since inception <sup>2</sup>	185.1
		Standard deviation <sup>3</sup>	1.89
31 Mar 2012 – 31 Mar 2013	9.3	Maximum drawdown <sup>3</sup>	-8.61

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

<sup>2</sup>Including 33.6p of dividends <sup>3</sup>Monthly data (total return NAV)

# Ruffer Investment Company Limited as at 31 May 2017

## Asset allocation



Asset allocation	%
Non-UK index-linked	16
Long dated index-linked	12
Index-linked gilts	12
Cash	8
Gold and gold equities	4
Options	1
Protective illiquid strategies	4
Japan equities	17
UK equities	9
North America equities	8
Europe equities	3
Asia ex-Japan equities	2
Other	2
Growth illiquid strategies	2
Currency allocation	%
Sterling	84
Yen	5
Gold	4
US dollar	2
Other	5

## Currency allocation



## 10 largest of 60 equity holdings\*

Stock	% of fund
T&D Holdings	2.5
Lloyds Banking Group	2.2
Sumitomo Mitsui Financial Group	1.7
Mitsubishi UFJ Finance	1.5
Oakley Capital	1.3
Tesco plc	1.0
Walt Disney Corp	1.0
Apple Inc	1.0
Tenaris	1.0
Bandai Namco	1.0

## 5 largest of 13 bond holdings

Stock	% of fund
1.875% Treasury index-linked 2022	6.4
0.375% Treasury index-linked 2062	5.8
0.125% Treasury index-linked 2068	5.2
US Treasury 0.625% TIPS 2021	4.5
US Treasury 0.125% TIPS 2023	3.8

\*Excludes holdings in pooled funds  
Source: Ruffer AIFM Limited

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 £375.0m Market capitalisation £387.2m Shares in issue 162,863,416

## 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

\* Audited at 30 June 2016

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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 May 2017, assets managed by the group exceeded £21.3bn.