

Ruffer Investment Company Limited

An alternative to alternative asset management



June 2017 Issue 145

During June the Company's net asset value fell by 0.5%. This compares with a fall of 2.5% in the FTSE All-Share Total Return Index.

The month of June saw politics very much taking centre-stage, most obviously in the UK. Prime Minister May's failed attempt to increase her authority through a snap general election, and the resurgence of Jeremy Corbyn's new/old Labour party, may threaten a changing of the guard that is technically strictly local to these shores, but it is one that we believe could well have wider ramifications for investors. Putting to one side the uncertainty this has created both domestically and regarding Brexit negotiations, what we are witnessing in the UK is a shift towards more populist policies and away from austerity that seems likely to be echoed across the western democracies, albeit at differing speeds. The end result of this, it seems to us, will be inflation, as the only palatable way to address the debt and inequalities built up over recent decades.

Meanwhile in the theatre of monetary policy, until so recently star billing above mere politics, the leading players appeared to compete with each other this month in transmitting contradictory messages. In the UK and eurozone, where almost no change in interest rates had been imagined for the foreseeable future, uncertainty was suddenly priced in, the result being a sharp uptick in bond yields and interest rate expectations. This has not been a helpful background for our long-dated index-linked gilts, but it is something we had anticipated occurring. Accordingly we have prepared the portfolio to cope with the temporary setbacks and volatility that such 'noise' over interest rates may bring. So, whilst the index-linked bonds declined during the month, our small but potent interest rate options gained in value to offset this.

It is unlikely to have escaped notice that, after a strong performance in 2016 (when the total return was 12%), we have been doing a fair impression of marching on the spot so far this year. We are used to this, and whilst suitably apologetic over missing out on apparently easy gains in equities this year, do not regret our cautious stance. Following last year's brief flirtation with reflation, which saw bond yields rise and cyclical/value stocks making gains, this year investors have flocked back to the 'new normal' universe of bond-like equities (consumer staples) and growth (tech). Introducing uncertainty over interest rates, bond yields and inflation is to say the least unlikely to be supportive of either equities in general or these crowded trades in particular. Therefore we are content to remain somewhat on the side-lines for the time being, with equities restricted to around 40% of the portfolio and those equities biased towards value and cyclical stocks. It may just be anecdotal, but in a market where there are now more equity indices and ETFs (Exchange Traded Funds) than there are US stocks to populate them and with many of these ETFs oriented to low volatility or bond-like strategies, we think being rather dull for a while may not be a sin.

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 2017	Year to date	1 year	3 years	5 years	10 years
Total return NAV	-0.5	0.4	8.8	16.1	28.7	131.6
Share price TR ¹	-0.7	0.1	12.4	21.0	28.6	146.5

¹Assumes re-investment of dividends

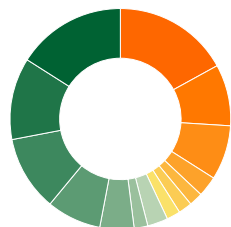
Percentage growth in total return NAV	%	As at 30 June 2017	p
30 Jun 2016 – 30 Jun 2017	8.8	Share price	236.00
30 Jun 2015 – 30 Jun 2016	-1.0	Net Asset Value (NAV) per share	229.04
30 Jun 2014 – 30 Jun 2015	7.9		%
30 Jun 2013 – 30 Jun 2014	-2.6	Premium/discount to NAV	3.0
30 Jun 2012 – 30 Jun 2013	13.8	NAV total return since inception ²	183.5
		Standard deviation ³	1.89
		Maximum drawdown ³	-8.61

Source: Ruffer AIFM Limited, FTSE International (FTSE)[†]

²Including 33.6p of dividends ³Monthly data (total return NAV)

Ruffer Investment Company Limited as at 30 June 2017

Asset allocation



Asset allocation

Asset Allocation Category	Percentage
Non-UK index-linked	16
Index-linked gilts	12
Long dated index-linked	11
Cash	8
Gold and gold equities	5
Options	2
Protective illiquid strategies	3
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

Currency Allocation Category	Percentage
Sterling	76
Yen	10
Gold	5
US dollar	2
Other	7

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 £375.3m Market capitalisation £386.7m Shares in issue 163,863,416

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