

Ruffer Investment Company Limited

An alternative to alternative asset management



October 2017 Issue 149

During October, the net asset value of the Company rose by 0.9%. This compares with a rise of 1.9% in the FTSE All-Share Index.

Japanese equities were the Company's top performers for the month contributing 100 bps to the return as the Nikkei hit a 22 year high. While there was some damage to the credibility of Japan Inc's corporate governance record, with scandals unearthed at Kobe Steel and Nissan (neither company is held in the portfolio), Abe's resounding victory in the snap election (his fifth victory in a row) helped drive returns and he now looks set to become the country's longest serving prime minister. The parallels with recent elections in other parts of the world were alarming – an 'unnecessary' election called by the incumbent, an attempt to consolidate power from a position of strength while the opposition were in disarray and the rise of a new populist political force (Koike's Party of Hope) in opposition. These concerns proved unfounded. Abe won a super-majority allowing him to proceed with his program of economic reform and perhaps in time embark upon constitutional reform to allow Japan to build an army rather than merely a self-defence force. Our belief is that this latter change will only be done from a position of economic strength and so the economic agenda will take precedence. What was perhaps more interesting than the result of the election was the fact that the opposition was proposing more extreme versions of Abenomics – economic liberalism, sales of state-owned assets and ultra-loose monetary policy. Koike also pushed to abandon the increase in the sales tax due in 2019. This may give Abe some latitude to backtrack on his commitment to the increase; a move which would be taken well by the market.

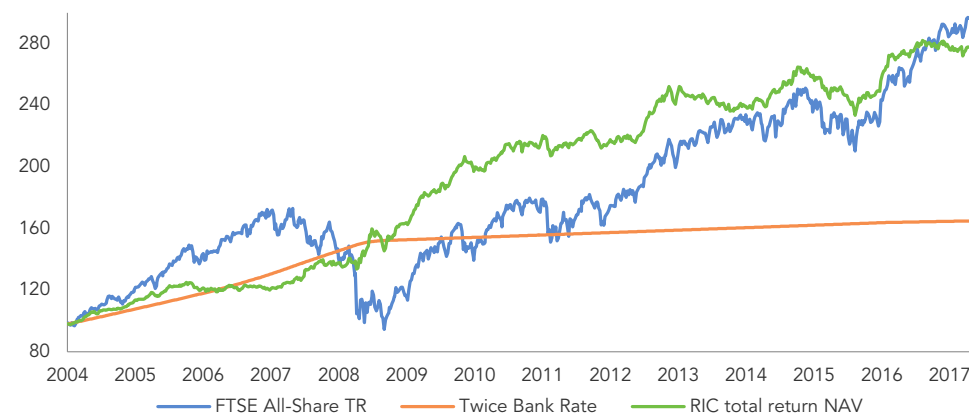
Putting all this together, Japan stands in stark contrast to western economies. It shares the characteristic of improving economic growth and business confidence, but is a country with political stability, a relatively cheap equity market and ultra-loose monetary policy with no indication of a change of tack from the Bank of Japan. This is an intensely interesting combination, which we have sought to exploit by investing in both companies that will benefit from an improving domestic backdrop (cash heavy companies, civil engineering, retail) and those set to gain from global economic growth (financials, exporters). Japan is far from immune from a global downturn, but in terms of interesting places to take equity market risk it still comes out on the top of the pile, despite recent strong performance.

The month was also notable for the correlated rise across asset classes. Within the Company only the option book posted a negative return, which serves to emphasise the importance of this part of the portfolio in acting as an offset and genuine protective asset class. We have long been concerned about cross-asset correlation as all boats have floated on the rising tide of loose monetary (and now fiscal) policy. Such a correlation will also work in reverse, hence we maintain our position in these protective assets.

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 2017	Year to date	1 year	3 years	5 years	10 years
Total return NAV	0.9	0.4	0.8	14.0	27.9	122.6
Share price TR ¹	1.2	0.0	-0.1	19.6	27.2	131.0

¹Assumes re-investment of dividends

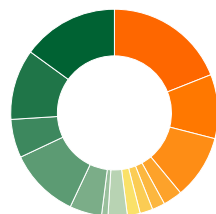
Percentage growth in total return NAV	%	As at 31 October 2017	p
30 Sep 2016 – 30 Sep 2017	1.6	Share price	232.50
30 Sep 2015 – 30 Sep 2016	10.9	Net Asset Value (NAV) per share	228.08
30 Sep 2014 – 30 Sep 2015	0.7		%
30 Sep 2013 – 30 Sep 2014	-0.6	Premium/discount to NAV	1.9
30 Sep 2012 – 30 Sep 2013	11.7	NAV total return since inception ²	183.5
		Standard deviation ³	1.87
		Maximum drawdown ³	-8.61

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

²Including 34.5p of dividends ³Monthly data (total return NAV)

Ruffer Investment Company Limited as at 31 Oct 2017

Asset allocation



Asset allocation	%
● Non-UK index-linked	15
● Long dated index-linked	11
● Index-linked gilts	6
● Cash	11
● Gold and gold equities	5
● Options	1
● Protective illiquid strategies	3
● Japan equities	19
● North America equities	10
● UK equities	10
● Europe equities	3
● Asia ex-Japan equities	2
● Other	2
● Growth illiquid strategies	2
Currency allocation	%
● Sterling	79
● Yen	7
● US dollar	6
● Gold	5
● Other	3

Currency allocation



10 largest of 60 equity holdings*

Stock	% of fund
T&D Holdings	2.6
Lloyds Banking Group	2.2
Sumitomo Mitsui Financial Group	2.1
Mizuho Financial	2.0
Mitsubishi UFJ Finance	1.5
Walt Disney Corp	1.3
Oakley Capital	1.2
Tenaris	1.2
Resona Holdings	1.2
Vivendi SA	1.1

5 largest of 13 bond holdings

Stock	% of fund
0.375% Treasury index-linked 2062	5.6
0.125% Treasury index-linked 2068	4.9
US Treasury 0.625% TIPS 2021	4.2
1.875% Treasury index-linked 2022	4.1
US Treasury 0.125% TIPS 2023	3.6

*Excludes holdings in pooled funds
Source: Ruffer AIFM Limited

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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 £386.4m Market capitalisation £393.9m Shares in issue 169,413,416

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 2017

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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 DIRECTOR

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 2017, assets managed by the group exceeded £22.1bn.