

Ruffer Investment Company Limited

An alternative to alternative asset management



July 2018 Issue 158

During July, the net asset value of the Company rose by 1.0%. This compares with a rise of 1.3% in the FTSE All-Share index.

Unlike the economy, financial markets have lost momentum. Many equity indexes outside of the US are flat or worse year to date – Asian markets are notably in the red with Shanghai down 15%. The troubles in these mercantilist Asian markets are not surprising, given rhetoric on tariffs has evolved into real action. We continue to monitor these developments closely for the opportunities and threats they pose to individual equity stories but also because we believe they act as signposts on the way to a less globalised, and potentially less deflationary world.

Despite the inward looking politics and ‘beggar thy neighbour’ trade policies, the US continues to lead the economic charge. During the Obama administration US GDP growth averaged 2.1% and the idea of ‘secular stagnation’ was all the rage in explaining why structural growth rates would be perennially lower.

In contrast, President Trump’s pro-business policy mix has offered significant relief to corporates in the US who have felt inhibited since the global financial crisis. This has catalysed a mini investment boom and given the economic expansion a second wind. A Q2 US GDP print of 4.1% driven by equipment spending and commercial construction would suggest this cycle has some way left to run. It is possible that 2018 will break records for the global volume of M&A transactions. The labour market is in rude health, and finally, we are seeing some of the benefits accrue to workers via wage growth.

The cyclical equities in the portfolio were profitable over the month, benefitting from the combination of rising interest rates and strong economic activity. Significant contributions came from Walt Disney, National Oilwell Varco, Cleveland Cliffs and Japanese financial stocks.

We have been expressing a positive view on the global economy for a couple of years but our optimism has always been tempered by the number of risks that could abruptly end this ‘Goldilocks’ period for financial markets. The technical fragilities that so nearly caused a crisis in February are less acute but remain a chronic problem. The looming issue for the coming months will be how a hot economy and elevated financial markets handle tightening financial conditions and any political curve balls.

The Federal Reserve remains steadfast on raising rates. At the same time the market must absorb quantitative tightening running at \$600bn and net issuance of around \$1tn of US treasuries in 2019. It is impossible to forecast at which point rising interest rates or an inverted yield curve will effect equities. However, this market cycle is abnormally long in the tooth, the punch bowl of easy money is being gradually removed and asset prices are high. It is a time to know the risks in your portfolio and how you might be compensated for taking them.

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 %	July 2018	Year to date	1 year	3 years	5 years	10 years
Total return NAV	1.0	0.5	2.6	9.6	13.8	108.9
Share price TR ¹	0.9	-0.5	1.8	8.6	11.4	105.0

¹Assumes re-investment of dividends

Percentage growth in total return NAV	%	As at 31 July 2018	p
30 Jun 2017 – 30 Jun 2018	0.8	Share price	233.00
30 Jun 2016 – 30 Jun 2017	8.8	Net Asset Value (NAV) per share	231.15
			%
30 Jun 2015 – 30 Jun 2016	-1.0	Premium/discount to NAV	0.8
30 Jun 2014 – 30 Jun 2015	7.9	NAV total return since inception ²	188.4
30 Jun 2013 – 30 Jun 2014	-2.6	Standard deviation ³	1.82
		Maximum drawdown ³	-8.62

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

²Including 35.4p of dividends ³Monthly data (total return NAV)

Ruffer Investment Company Limited as at 31 July 2018

Asset allocation



Asset allocation

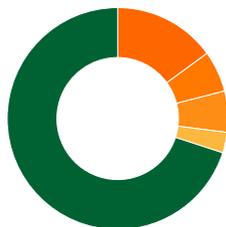
Asset Allocation Category	Percentage
Non-UK index-linked	14
Long dated index-linked	12
Cash	9
Gold and gold equities	7
Index-linked gilts	6
Protective illiquid strategies	5
Short-dated bonds	2
Options	1

Japan equities	16
North America equities	12
UK equities	11
Asia ex-Japan equities	3
Europe equities	2

Currency allocation

Currency Allocation Category	Percentage
Sterling	70
US dollar	15
Yen	6
Gold	6
Other	3

Currency allocation



10 largest of 54 equity holdings*

Stock	% of fund
T&D Holdings	2.3
Walt Disney	2.1
Sumitomo Mitsui Financial Group	2.0
Vivendi SA	1.8
Tesco	1.7
Mitsubishi UFJ Finance	1.6
Resona Holdings	1.5
Mizuho Financial	1.5
Ocado Group	1.4
Japan Post Holdings	1.1

5 largest of 10 bond holdings

Stock	% of fund
0.375% Treasury index-linked 2062	5.6
0.125% Treasury index-linked 2068	5.2
US Treasury 0.625% TIPS 2021	4.0
1.875% Treasury index-linked 2022	3.8
US Treasury 0.125% TIPS 2023	3.4

*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. The Key Information Document is provided in English and available on request or from www.ruffer.co.uk.

NAV £410.6m Market capitalisation £413.9m Shares in issue 177,638,416

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 LF 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 30 June 2018, assets managed by the group exceeded £22.3bn.