

Ruffer Investment Company Limited

An alternative to alternative asset management



August 2019 Issue 171

During August, the net asset value of the Company rose by 0.6%. This compares with a fall of 3.6% in the FTSE All-Share index.

With economic data deteriorating further, most notably in Germany and China, and no early end in sight to the US-China trade spat, August witnessed a further stage in the seemingly unstoppable bull market in government bonds. Negative yielding government debt hit a new record of \$17 trillion, and the yield on 30 year US government stock temporarily went below 2%. With gold's zero yield suddenly not so anomalous, the yellow metal's price rose 8% in US dollar terms, and thus in a month of generally falling equity markets, the portfolio's gold-related investments and inflation-linked bonds were the main contributors to August's positive return.

Where to next? Having cut interest rates by 0.25% at the end of July the US Federal Reserve's Jackson Hole symposium gave little incremental clue as to the future path of interest rates. While financial markets have been quick to price in further rate reductions, the continued robustness of the US consumer, buoyed by continued jobs growth and rising wages, shows clearly the Fed's dilemma, even before taking into account the sustained volley of uncomplimentary tweets from the White House. Elsewhere, a further driver to the narrative of falling yields has been hopes for another big monetary bazooka from the European Central Bank later in September.

Regular readers will be well aware of our view that come the next economic slowdown fiscal policy will have to share in the heavy lifting, and with the UK government's 'magic money tree' coming to resemble a veritable forest, the UK seems set to lead in this respect. With a snap election seemingly avoided in Italy then some fiscal relaxation there seems reasonable to expect. Even in Germany, should the economy worsen further, there is talk of higher government spending, especially if it can be executed under the cover of climate change or a green agenda. For us all of these roads lead to the risk of higher inflation.

One final puzzle for us has been the continued robust performance of credit as an asset class. With all the talk of economic deceleration, let alone recession, one might have expected wobbles in credit as investors move to price in the risk of higher borrowing spreads or a default cycle. As yet, however, the credit market has paid much more attention to the story of lower rates than to that of lower activity. So far the poorly performing parts of the credit sphere remain idiosyncratic, but we suspect it is only a matter of time before concerns spread, and the portfolio's credit protections have their moment.

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 %	August 2019	Year to date	1 year	3 years	5 years	10 years
Total return NAV	0.6	8.1	2.5	4.7	17.1	63.2
Share price TR ¹	0.8	8.3	-2.3	3.6	17.5	56.8

¹Assumes re-investment of dividends

Percentage growth in total return NAV	%	As at 30 August 2019	p
30 Jun 2018 – 30 Jun 2019	-0.9	Share price	224.50
30 Jun 2017 – 30 Jun 2018	0.8	Net Asset Value (NAV) per share	231.62
30 Jun 2016 – 30 Jun 2017	8.8		%
30 Jun 2015 – 30 Jun 2016	-1.0	Premium/discount to NAV	-3.1
30 Jun 2014 – 30 Jun 2015	7.9	NAV total return since inception ²	191.7
		Standard deviation ³	1.83
		Maximum drawdown ³	-8.62

Source: Ruffer LLP, FTSE International (FTSE) †

²Including 37.2p of dividends ³Monthly data (total return NAV)

Ruffer Investment Company Limited as at 30 Aug 2019

Asset allocation



Asset allocation %

Long-dated index-linked gilts	14.9
Non-UK index-linked	12.6
Short-dated bonds	12.6
Illiquid strategies and options	8.4
Gold and gold equities	8.2
Cash	4.4
Index-linked gilts	0.6

Currency allocation



Currency allocation %

Sterling	76.3
Yen	9.4
Gold	8.2
US dollar	2.8
Euro	2.5
Other	0.8

10 largest of 50 equity holdings*

Stock	% of fund
Walt Disney Company	2.8
Tesco	2.1
Sony	1.6
Vivendi	1.5
Celgene Corporation	1.4
Ocado	1.3
ExxonMobil	1.2
Bandai Namco	1.2
Mitsubishi UFJ Financial Group	1.1
Sumitomo Mitsui Financial Group	1.1

5 largest of 16 bond holdings

Stock	% of fund
UK Treasury index-linked 0.125% 2068	7.6
UK Treasury index-linked 0.375% 2062	6.7
US Treasury 0.625% TIPS 2021	4.3
US Treasury 1.75% TIPS 2019	3.1
US Treasury 2.0% TIPS 2020	2.9

*Excludes holdings in pooled funds
Source: Ruffer LLP.
Pie chart totals may not equal 100 due to rounding.

NAV £418.7m Market capitalisation £405.9m Shares in issue 180,788,420

Company information

Annual management charge (no performance fee)	1.0%		
Total Expense Ratio*	1.18%		
Ex dividend dates	March, September		
NAV valuation point	Weekly, every Tuesday and the last business day of the month		
Stock ticker	RICA LN		
ISIN	GB00B018CS46	SEDOL	B018CS4
Administrator	Praxis Fund Services 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 2018

† © FTSE 2019. 'FTSE®' is a trade mark of London Stock Exchange Group companies and is used by FTSE under licence. All rights in the FTSE Data vest in FTSE and/or its licensors. Neither FTSE nor its licensors accept any liability in relation to the FTSE Data data. No further distribution of FTSE Data is permitted without FTSE's express written consent.

Fund 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.



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.



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

Enquiries

Ruffer AIFM Ltd	+44 (0)20 7963 8254
80 Victoria Street	rif@ruffer.co.uk
London SW1E 5JL	www.ruffer.co.uk

Ruffer LLP

The Ruffer Group manages investments on a discretionary basis for private clients, trusts, charities and pension funds. As at 31 July 2019, assets managed by the group exceeded £20.8bn.