

Investment monthly report – December 2015

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Ruffer Investment Company Limited

(a closed-ended investment company incorporated in Guernsey with registration number 41996)

Attached is the investment monthly report for December 2015.

Enquiries

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# Ruffer Investment Company Limited

An alternative to alternative asset management

The net asset value as at 31 December was 207.0p, representing a fall of 1.7% over the month. The share price fell by only 0.2% as the premium widened to 1.9%. By way of context the FTSE All-Share TR index fell by 1.3% during the month.

December ended on a largely glum note for financial assets. While the US Federal Reserve proceeded with their largely expected rise in interest rates, there was acute disappointment that the European Central Bank did not expand its asset purchase programme, as many investors had hoped. The immediate upshot of this latter event was violent offsetting moves in eurozone equities (down) and the euro (up), thus providing a further worrying example of how crowded certain trades have become.

Several concerns led us during December to reduce our equity positions, which are now at their lowest levels since 2008. While the eurozone and indeed Japan might be sources of positive economic surprises, both areas being major beneficiaries from the collapse in oil prices, there remains a significant disconnection between investors and the Federal Reserve around the pace of US monetary tightening. At the same time continued low commodity prices could have negative spillover effects on the corporate credit market, an asset class not always notable for plentiful liquidity. Further afield, while the service sector in China is exhibiting signs of stability and even growth, manufacturing there continues to contract, generating fears of further devaluations of the Chinese currency. Away from economics, the lack of breadth and very narrow leadership in the US equity market may well be evidence of a mature stock market cycle. Stronger economic growth and positive economic surprises, which have been recently in short supply, are undeniably necessary conditions for any broadly-based rise in equity markets.

In fairness our central view is not to see 2016 as necessarily catastrophic for economic growth. However profits growth, particularly in the US, has decelerated sharply, and growth in US share buybacks, which has been a key driver in terms of market performance, has ground to a halt. The holy grail of wage inflation, desired by both workers and politicians of all hues, could well damage margins if it materialises, aiding labour at the expense of capital. Furthermore, the fact that monetary stimulus appears exhausted in the US, and policy is indeed reversing, has led us for some while to the view that the rate of economic growth desired by politicians and necessary for debt reduction will require a greater role for fiscal policy, which might well raise inflationary expectations. In a sense we are seeing that already; Chancellor Osborne's latest sleight-of-hand around the UK budget deficit numbers fooled few, and the demands brought about by the migrant crisis in Europe will furnish a further excuse for fiscal slippage.

Markets are there to make fools of all forecasters, ourselves very much included, and the experience of recent years has certainly taught us to take nothing for granted. Having taken some more equity exposure off the table recently we are presently seeking to exercise the virtues of patience and watchfulness, content in the knowledge that should opportunities present themselves we have sufficient dry powder to profit from them.

We will be holding a meeting for shareholders in our London office on 23 February and all of the Company's directors will be present. If any professional investors would like to attend please speak to your usual contact at Cenkos.

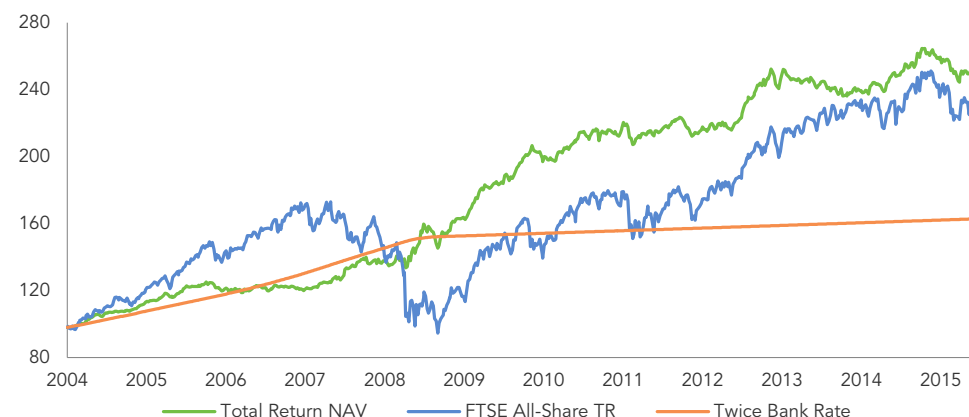


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## Investment objective

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 %	December 2015	Year to date	1 year	3 years	5 years	10 years
Total return NAV	-1.7	-1.0	-1.0	10.3	14.8	102.5
Share price TR <sup>1</sup>	-0.5	-0.8	-0.8	10.9	10.6	106.6

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

Percentage growth in total return NAV	%	As at 31 December 2015	p
31 Dec 2014 – 31 Dec 2015	-1.0	Share price	211.00
31 Dec 2013 – 31 Dec 2014	1.8	Net Asset Value (NAV) per share	206.98
31 Dec 2012 – 31 Dec 2013	9.5		%
31 Dec 2011 – 31 Dec 2012	3.4	Premium/discount to NAV	1.9
31 Dec 2010 – 31 Dec 2011	0.7	NAV total return since inception <sup>2</sup>	151.2
		Standard deviation <sup>3</sup>	1.92
		Maximum drawdown <sup>3</sup>	-7.36

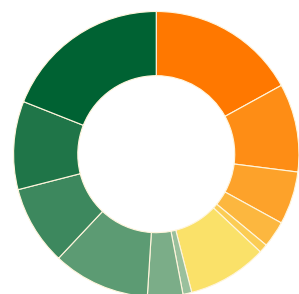
Source: Ruffer AIFM Limited

<sup>2</sup>Including 29.3p of dividends <sup>3</sup>Monthly data (total return NAV)

Ruffer performance is shown after deduction of all fees and management charges, and on the basis of income being reinvested. Past performance is not a guide to future performance. The value of the shares and the income from them can go down as well as up and you may not get back the full amount originally invested. The value of overseas investments will be influenced by the rate of exchange.

# Ruffer Investment Company Limited as at 31 Dec 2015

## Portfolio structure



Asset allocation	%		%
● Non-UK index-linked	19	● Japan equities	17
● Cash	11	● North America equities	10
● Long dated index-linked	10	● UK equities	6
● Index-linked gilts	9	● Asia ex-Japan equities	3
● Gold and gold equities	4	● Europe equities	1
● Options	1	● Illiquid strategies	9



Currency allocation	%
● Sterling	79
● Yen	8
● US dollar	5
● Gold	4
● Other	4

## 5 largest of 10 bond holdings

Stock	% of fund	Stock	% of fund
1.875% Treasury index-linked 2022	6.4	T&D Holdings	2.5
1.25% Treasury index-linked 2055	5.8	Mitsubishi UFJ Finance	2.2
0.375% Treasury index-linked 2062	4.5	Sumitomo Mitsui Financial Group	2.1
US Treasury 0.625% TIPS 2021	4.3	The Boeing Company	1.8
US Treasury 0.125% TIPS 2023	3.6	Resona Holdings	1.7

Source: Ruffer AIFM Limited

\*Excludes holdings in pooled funds

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 £320.6m Market capitalisation £326.8m Shares in issue 154,888,416

## 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	

## 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 also manages



investment portfolios for individuals, trusts, charities and pension funds and 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.



## Ruffer

The Ruffer Group manages investments on a discretionary basis for private clients, trusts, charities and pension funds. As at 31 December 2015, assets managed by the group exceeded £18.3bn.

## Enquiries

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