Ruffer Investment Company Limited – RICA

Investment monthly report – December 2016

Released 16:03 11 January 2017

Ruffer Investment Company Limited

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

Attached is the investment monthly report for December 2016.

Enquiries

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Ruffer Investment Company Limited

An alternative to alternative asset management

During December the Company's net asset value (NAV) rose by 2%. This compares with a rise of 5% in the FTSE All-Share Index. Over the year NAV rose by 12.4% on a total return basis.

An eventful year ended with equity markets on the front foot. They continued to bask in the anticipation of a Trump Presidency, ignoring possible alarms from the President-elect's potential excursions into trade and foreign policy, while lapping up the Reaganomic possibilities of fiscal stimulus, tax cuts for both corporates and consumers, and some targeted rolling back of regulation.

Within the fund's double-digit return for the year, we were especially encouraged by its behaviour in the final quarter. With bond prices pressured by rising nominal yields, and gold hit hard by the resurgent US dollar, it would have been easy for some of the portfolio's earlier gains to have been surrendered. In the event inflation expectations in both the US and UK rose after 8 November, building on their gains of the previous months, giving some support to index-linked bonds, and our prior pruning of the portfolio's holdings of 'bond-like' equities proved prescient. To cap it all, Japanese banks, having worn sackcloth and ashes for much of the year, surged between 20% and 40% in the quarter as interest rate expectations rose.

So much for the old year; what of the new? We are somewhat wary of the apparent keenness to copy across the investment and economic narratives of the early 1980s. Firstly Mr Trump's fiscal plans call for a $1 trillion stimulus, at a time when US unemployment is 4.6% and wage growth, at 2.5%, is beginning to stir. On top of that any curtailment in immigration into the US will presumably reduce the supply of labour to the much vaunted 'shovel-ready' projects. Tariffs, while crowd-pleasing in the short term, can only be inflationary; it is estimated that around 70% of goods sold at Wal-Mart are sourced from China. The risk of inflation being reignited thus seems to us clear and present. Such a development might well produce a more active US Federal Reserve, keen to re-establish interest rate normality, raising rates faster than investors expect, and thereby offsetting to some degree the effects of fiscal largesse.

The risk of this latter outturn stands in stark contrast to Japan, where the monetary and fiscal levers continue both to point in an expansionary direction. Indeed the superimposition of rising US bond yields on the Bank of Japan's stated intention to keep Japanese ten year bond yields at zero has produced a pronounced period of yen weakness, with the Japanese currency having now weakened 17% against the US currency since the highs of September. Rising global bond yields, increased growth expectations and a falling yen have historically been a magical combination for Japanese equities. Thus, while the last eighteen months has prompted much soul-searching by us on the subject of Japan, given the above we consider a substantial exposure to Japanese equities entirely appropriate in the context of our present relatively low equity allocation, and that of equity valuations more generally.

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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 2016	Year to date	1 year	3 years	5 years	10 years
Total return NAV	2.0	12.4	12.4	13.3	28.2	127.4
Share price TR[1]	0.5	12.8	12.8	16.3	27.9	133.5

[1]Assumes re-investment of dividends

Percentage growth in total return NAV	%
30 Dec 2015 – 30 Dec 2016	12.4
30 Dec 2014 – 30 Dec 2015	-1.0
30 Dec 2013 – 30 Dec 2014	1.8
30 Dec 2012 – 30 Dec 2013	9.5
30 Dec 2011 – 30 Dec 2012	3.4

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

As at 30 December 2016	p
Share price	**234.50**
Net Asset Value (NAV) per share	**228.98**
	%
Premium/discount to NAV	2.4
NAV total return since inception[2]	182.4
Standard deviation[3]	1.92
Maximum drawdown[3]	-8.61

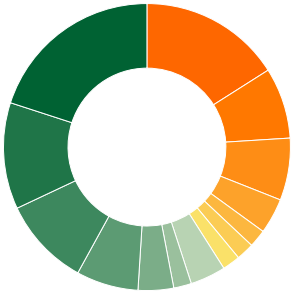
[2]Including 32.7p of dividends [3]Monthly data (total return NAV)

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 30 Dec 2016

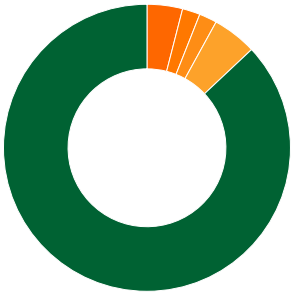
NAV £363.7m Market capitalisation £372.4m Shares in issue 158,813,416

Portfolio structure



Asset allocation	%
Non-UK index-linked	20
Long-dated index-linked	12
Index-linked gilts	10
Cash	7
Gold and gold equities	4
Options	2
Protective illiquid strategies	4

	%
Japan equities	16
UK equities	8
North America equities	7
Europe equities	4
Asia ex-Japan equities	2
Other	2
Growth illiquid strategies	2



Currency allocation	%
Sterling	87
Gold	4
Yen	2
US dollar	2
Other	5

5 largest of 13 bond holdings

Stock	% of fund
1.875% Treasury index-linked 2022	6.2
0.375% Treasury index-linked 2062	5.8
0.125% Treasury index-linked 2068	5.2
US Treasury 0.625% TIPS 2021	4.8
US Treasury 0.125% TIPS 2023	4.1

Source: Ruffer AIFM Limited

5 largest of 58 equity holdings*

Stock	% of fund
T&D Holdings	2.7
Lloyds Banking Group	2.0
Mitsubishi UFJ Finance	1.5
Sumitomo Mitsui Financial Group	1.4
The Boeing Company	1.3

*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.

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

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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 31 December 2016, assets managed by the group exceeded £20.6bn.