

Investment monthly report – February 2016

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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 February 2016.

Enquiries

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# Ruffer Investment Company Limited

An alternative to alternative asset management

The net asset value as at 29 February was 202.69p, a fall of 0.3% during the month. This compared with a rise of 0.8% in the FTSE All-Share TR index.

Recent unexceptional monthly returns from equity markets have masked significant underlying volatility, with global indices falling far enough at one point during February to enter a bear market. This month's volatility derived from the aftershocks of the Bank of Japan's implementation of negative interest rates on excess bank reserves. While they were not alone in taking this step (Sweden, Switzerland, Denmark and the European Central Bank are already there) the impact of the decision was more profound and spread far outside Japan. Global banks (including our Japanese ones), already under pressure following the falls in energy and commodity prices, were knocked again, forcing a 'nothing-to-see-here' announcement from Deutsche Bank. The gold price perked up as the credibility of central banks was called into question and markets fretted over the possibility of a rerun of the 2008 crisis. This opened the door for the whispers of more radical policy response to become mainstream. The usual proponents of fiscal stimulus, including Larry Summers and Adair Turner, were at the forefront and they were joined by other heavyweights such as Martin Wolf and the IMF. The short message (put succinctly by Martin Wolf quoting Sherlock Holmes): there is always more that can be done – 'when one has exhausted the just about possible, what remains, however improbable, must be the answer'. Why is this of interest? Since 2008 we have seen a continual creep in the radical becoming mainstream.

Quantitative easing, once considered reckless, is now a primary policy tool. Zero interest rates were implausible, but now negative rates are becoming widespread. This drift into increasingly radical areas of monetary policy, while necessary as an antidote to the high-debt/low-growth hangover of the financial crisis, comes with significant risks. Fiscal tools are blunt and their use greatly increases the chances of a slip-up and the accompanying loss of confidence in paper money as a store of value (or its electronic equivalent if the proponents of the cashless society have their way). The direction of travel remains constant and the harder it becomes to generate sufficient economic growth for indebted economies to deleverage, the more experimental and extreme simulative policies will become. The economy where fiscal stimulus may have the most beneficial effect is in Japan where deflation expectations are most entrenched. There are Upper House elections in July and this will be a test of Abe's economic record. A pre-election announcement may not only be good for the economy it could also be a vote winner.

In other news, the debate on Brexit started in earnest with sterling being the principal casualty. There was a momentary lull in Chinese news flow although interestingly the moment of most acute stress for Japanese equities was when Shanghai was closed for a week over Chinese New Year – a reminder of last summer when Japan suffered as a proxy short when two thirds of the Chinese market was suspended. These effects are usually short lived.

During the month a number of shareholders attended a meeting with the directors of the Company. Of the matters discussed, two issues were addressed at the board meeting on 24 February. The directors resolved to maintain the company's Guernsey domicile since the costs of changing domicile outweighed the relatively small savings in moving to the UK. Secondly, the interim dividend was held at 1.7p.

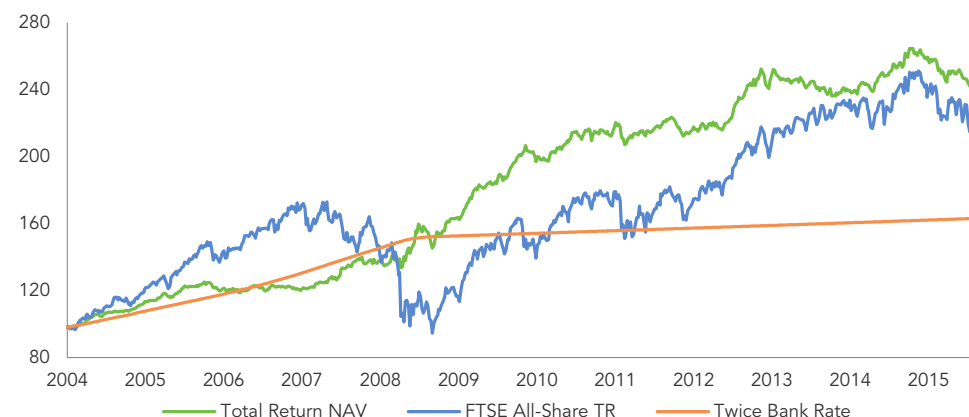


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## Investment objective

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 %	February 2016	Year to date	1 year	3 years	5 years	10 years
Total return NAV	-0.3	-2.1	-5.9	1.9	12.0	96.8
Share price TR <sup>1</sup>	-1.9	-5.0	-9.1	-2.2	4.6	82.7

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

Percentage growth in total return NAV	%	As at 29 February 2016	p
31 Dec 2014 – 31 Dec 2015	-1.0	Share price	199.25
31 Dec 2013 – 31 Dec 2014	1.8	Net Asset Value (NAV) per share	202.69
31 Dec 2012 – 31 Dec 2013	9.5		%
31 Dec 2011 – 31 Dec 2012	3.4	Premium/discount to NAV	-1.7
31 Dec 2010 – 31 Dec 2011	0.7	NAV total return since inception <sup>2</sup>	146.0
		Standard deviation <sup>3</sup>	1.92
		Maximum drawdown <sup>3</sup>	-8.61

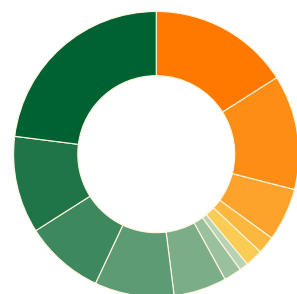
Source: Ruffer AIFM Limited

<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 29 Feb 2016

## Portfolio structure



Asset allocation	%		%
● Non-UK index-linked	23	● Japan equities	16
● Long dated index-linked	11	● North America equities	13
● Index-linked gilts	9	● UK equities	6
● Illiquid strategies	9	● Asia ex-Japan equities	2
● Gold and gold equities	6	● Europe equities	2
● Cash	2		
● Options	1		



Currency allocation	%
● Sterling	76
● US dollar	7
● Yen	6
● Gold	6
● Other	5

## 5 largest of 11 bond holdings

Stock	% of fund
1.875% Treasury index-linked 2022	6.7
0.375% Treasury index-linked 2062	5.0
US Treasury 0.625% TIPS 2021	4.8
1.25% Treasury index-linked 2055	4.3
US Treasury 0.125% TIPS 2023	4.1

Source: Ruffer AIFM Limited

## 5 largest of 49 equity holdings\*

Stock	% of fund
The Boeing Company	2.0
T&D Holdings	2.0
Mitsubishi UFJ Finance	1.6
Sumitomo Mitsui Financial Group	1.6
Lloyds Banking Group	1.5

\*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 £315.9m Market capitalisation £310.5m Shares in issue 155,838,416

## 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 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 29 February 2016, assets managed by the group exceeded £18.0bn.

## Enquiries

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