

Investment monthly report – July 2016

Released 10 Aug 2016 13:05

Ruffer Investment Company Limited

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

Attached is the investment monthly report for July 2016.

Enquiries

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# Ruffer Investment Company Limited

An alternative to alternative asset management



July 2016 Issue 134

During July the net asset value rose by 3.8%. This compares with a rise of 4.0% in the FTSE All-Share Total Return index. The Company's shares currently trade on a discount of 3.8% to net asset value.

Our aim at Ruffer is always to provide investors with a safe passage through the squalls that frequent financial markets, whilst all the time keeping one eye open for the hurricanes that from time to time threaten to diminish the value of their savings. In the meantime, of course, we also endeavour to make decent returns when conditions seem less threatening.

In light of these seemingly contradictory aspirations, it is pleasing to report that we have delivered on our aims through the latest bout of turbulence, brought on by the UK's vote to leave the EU. In June we positioned the portfolio to minimise the threat of losses whichever way the vote went, whilst of course still keeping guard against the larger threat of future inflation. The vote is now history, the ramifications of which remain entirely unclear, and this unexpected outcome provoked just one of the aforementioned squalls in currency and stock markets. The Company navigated the immediate turmoil safely, as reported last month, and in fact emerged on the positive side. This month, as the dust has started to settle, we have made further gains, with Japanese equities and gold leading the way, whilst index-linked bonds and western equities have also played a supporting role.

Whither now from here? The consequences of the 'leave' vote, both for the UK and the rest of the EU, remain unknown, with short term economic indicators of little help. However, the ruling Conservative party has acted swiftly to put in place a new government, led by Theresa May. This, combined with the fall in the pound and the prospect of lower interest rates, has rallied markets so that in sterling terms UK equities are now up 5% since before the referendum, though still down a similar amount in almost all other currencies. At the moment there is little more of use that can be said on the potential impacts of Brexit, beyond the notion that monetary policy is set to remain extremely loose, as shown by last week's moves by the Bank of England.

That said, we can draw at least three conclusions from recent events. First, politics, and perhaps populism, are set to play a greater role in setting the economic agenda than they have for many decades, and not necessarily for the good. Secondly, as if sensing this, politicians are already moving away from austerity towards more fiscal interventions, with likely implications for inflation and real interest rates. Thirdly, at least for now, ever lower interest rates can still paper over the widening cracks appearing in underlying economies. The first two observations could hold true for some time, the last, we fear, could prove to be illusory. Hence our overall strategy has remained almost entirely unchanged, holding just sufficient equities to get by, but also keeping a firm grasp on the index-linked bonds we believe will be invaluable when negative real interest rates really start to take hold.

## 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 2016	Year to date	1 year	3 years	5 years	10 years
Total return NAV	3.8	7.7	2.8	6.7	21.8	119.6
Share price TR <sup>1</sup>	1.3	2.6	-2.0	0.5	13.6	107.0

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

Percentage growth in total return NAV	%	As at 29 July 2016	p
30 Jun 2015 – 30 Jun 2016	-1.0	<b>Share price</b>	<b>212.75</b>
30 Jun 2014 – 30 Jun 2015	7.9	<b>Net Asset Value (NAV) per share</b>	<b>221.13</b>
30 Jun 2013 – 30 Jun 2014	-2.6		%
30 Jun 2012 – 30 Jun 2013	13.8	Premium/discount to NAV	-3.8
30 Jun 2011 – 30 Jun 2012	-0.3	NAV total return since inception <sup>2</sup>	170.6
		Standard deviation <sup>3</sup>	1.93
		Maximum drawdown <sup>3</sup>	-8.61

Source: Ruffer AIFM Limited

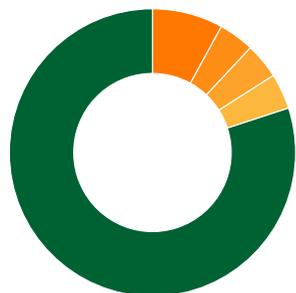
<sup>2</sup>Including 31.0p of dividends <sup>3</sup>Monthly data (total return NAV)

# Ruffer Investment Company Limited as at 29 July 2016

## Portfolio structure



Asset allocation	%		%
● Non-UK index-linked	23	● Japan equities	15
● Long dated index-linked	13	● North America equities	9
● Index-linked gilts	9	● UK equities	6
● Gold and gold equities	7	● Europe equities	3
● Cash	3	● Asia ex-Japan equities	2
● Options	1	● Other	2
● Protective illiquid strategies	5	● Growth illiquid strategies	2



Currency allocation	%
● Sterling	80
● Gold	8
● Yen	4
● US dollar	4
● Other	4

## 5 largest of 12 bond holdings

Stock	% of fund	Stock	% of fund
1.875% Treasury index-linked 2022	6.4	T&D Holdings	2.1
0.375% Treasury index-linked 2062	5.6	Mitsubishi UFJ Finance	1.9
0.125% Treasury index-linked 2068	4.9	Sumitomo Mitsui Financial	1.8
US Treasury 0.625% TIPS 2021	4.7	Westrock	1.1
US Treasury 0.125% TIPS 2023	4.0	The Boeing Company	1.1

Source: Ruffer AIFM Limited

## 5 largest of 54 equity holdings\*

Stock	% of fund
T&D Holdings	2.1
Mitsubishi UFJ Finance	1.9
Sumitomo Mitsui Financial	1.8
Westrock	1.1
The Boeing Company	1.1

\*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 £344.6m Market capitalisation £331.5m 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 31 July 2016, assets managed by the group exceeded £19.2bn.

## Enquiries

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