Ruffer Investment Company Limited – RICA

Investment monthly report – November 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 November 2016.

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Ruffer Investment Company Limited

An alternative to alternative asset management

November 2016 Issue 138

During November the Company's net asset value fell by 1.5%. This compares with a fall of 1.6% in the FTSE All-Share TR Index.

This month's commentary focuses not so much on Donald Trump's unexpected victory in the US presidential election, but rather on the stress test for our portfolio that the subsequent market moves have posed. In what seems to us very much a dress rehearsal for a future inflation-driven move in asset prices, we have seen a significant repricing (ie sell-off) across global bonds. Yields have spiked higher on the prospect of fiscal stimulus under President-elect Trump, with the benchmark US 10 year bond yield leaping from 1.8% pre-election to 2.4%. Not surprisingly this has triggered a sharp reversal of the prevailing mood within equity markets, where supposedly safe 'bond-like' equities have sold off sharply, with investors rotating into more cyclical stocks and financials.

Despite registering a small loss for the month, we feel the portfolio has passed this 'stress test' if not with flying colours, then at least satisfactorily. At Ruffer we aim to build an 'all weather' portfolio that not only protects investors from the painful consequences of events we can see coming down the road, but is also sufficiently robust to withstand shorter term movements that could blow us off course. Our long term compass is firmly set to inflation and negative real interest rates, and therefore we cherish the long-dated index-linked bonds in the portfolio. However, having performed so well for us already this year, we have been acutely aware that a sharp rise in bond yields could reverse the strong performance of the Company.

Trump's election victory has duly delivered just such a shock to investors, even if we see it as simply another step on the path towards inflation. As bond yields spiked higher, and with investors unable as yet to truly distinguish between real and nominal interest rates, our index-linked bonds have fallen back sharply. We have weathered this setback thanks to the offsets built up in the rest of the portfolio. Interest rate options are part of this armoury, and have performed well, but it is Japanese financials that have really shone as offsets to falling bond prices. During the month Japanese banks and life assurers made double digit gains, with one of our largest holdings, MUFJ, up over 20%.

Having long purged the portfolio of 'bond-like' equities we were largely immune to the sell-off in this once fashionable area, whilst building up a host of positions in cyclical equities has been rewarded with gains from stocks such as Leucadia, Ingevity and WestRock. The result has been that despite the longest dated index-linked bond in the portfolio falling by 17% from its October high, with shorter durations following suit, the net asset value has barely moved, thereby preserving the double digit gains for the Company in the year to date.

Looking forward, we see Trump's election as marking the end of omnipotent central banks and the pre-eminence of monetary policy. Politics will now take central stage with Trump et al usurping Yellen & Co as the star billing. Fiscal expansion seems to us more likely to herald inflation rather than a surge in real growth. However, such tectonic shifts occur slowly, so we repeat our suggestion that November's market moves are merely a dress rehearsal for a far greater shift in asset prices in the future.

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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 %	November 2016	Year to date	1 year	3 years	5 years	10 years
Total return NAV	-1.5	10.2	8.3	10.9	26.2	121.2
Share price TR[1]	-0.9	11.9	11.4	13.1	27.1	132.7

[1]Assumes re-investment of dividends

Percentage growth in total return NAV	%
30 Sep 2015 – 30 Sep 2016	10.9
30 Sep 2014 – 30 Sep 2015	0.7
30 Sep 2013 – 30 Sep 2014	-0.6
30 Sep 2012 – 30 Sep 2013	11.7
30 Sep 2011 – 30 Sep 2012	2.3

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

As at 30 November 2016	p
Share price	**233.25**
Net Asset Value (NAV) per share	**224.57**
	%
Premium/discount to NAV	3.9
NAV total return since inception[2]	176.9
Standard deviation[3]	1.92
Maximum drawdown[3]	-8.61

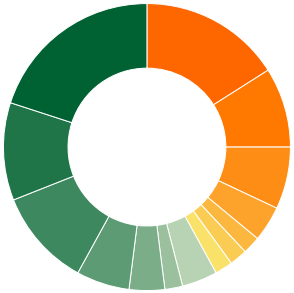
[2]Including 32.7p of dividends [3]Monthly data (total return NAV)

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 Nov 2016

NAV £355.7m Market capitalisation £369.5m Shares in issue 158,413,416

Portfolio structure



Asset allocation	%
Non-UK index-linked	20
Long dated index-linked gilts	11
Other index-linked gilts	11
Gold and gold equities	6
Cash	4
Options	2
Protective illiquid strategies	4

	%
Japan equities	16
North America equities	9
UK equities	7
Europe equities	4
Asia ex-Japan equities	2
Other	2
Growth illiquid strategies	2



Currency allocation	%
Sterling	87
Yen	4
Gold	4
US dollar	2
Other	3

5 largest of 13 bond holdings

Stock	% of fund
1.875% Treasury index-linked 2022	6.3
0.375% Treasury index-linked 2062	5.6
0.125% Treasury index-linked 2068	4.9
US Treasury 0.625% TIPS 2021	4.8
US Treasury 0.125% TIPS 2023	4.1

Source: Ruffer AIFM Limited

5 largest of 59 equity holdings*

Stock	% of fund
T&D Holdings	2.5
Lloyds Banking Group	1.5
Mitsubishi UFJ Finance	1.5
Sumitomo Mitsui Financial	1.4
The Boeing Company	1.2

*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 30 November 2016, assets managed by the group exceeded £20.3bn.