

Investment monthly report – July 2017

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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 August 2017.

Enquiries

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# Ruffer Investment Company Limited

An alternative to alternative asset management



August 2017 Issue 147

During August the Company's net asset value rose by 0.5%. This compares with a rise of 1.4% in the FTSE All-Share Index.

With politicians largely on holiday and parliaments the world over in recess, investors could have been excused from thinking that, in sharp contrast to the earlier part of 2017, political developments could be safely ignored during August. Unfortunately no one passed that message to Kim Jong Un, the North Korean leader. Repeated testing of missiles by North Korea provoked combative statements from the Trump administration with the result that August witnessed a sharp rise in the price of safe havens. UK government bond prices surged as nominal yields fell, and the gold price rose 4% in US dollar terms. Equities were benign rather than weak, seemingly encouraged by the feeling that such geopolitical events have pushed out the timing of further US interest rate rises. Also the much-awaited central bankers' gathering at Jackson Hole late in the month failed to bring into view any imminent tightening of monetary policy from the European Central Bank or the Federal Reserve.

We continue to believe that in terms of US Federal Reserve policy, there is too much focus on the path of interest rates at the expense of the issue of shrinking the US central bank's balance sheet. The latter process, by virtue of its draining of liquidity, could threaten higher volatility in asset markets, bringing to an end this period of passable imitation of Rip Van Winkle. To that extent, we are increasingly concerned that today's market conditions resemble those of 2006-2007: against an apparently serene and calm market backdrop, with asset prices generally grinding upwards, there is a bubbling up of risks and rising valuations which investors are presently finding easier to ignore. We, by contrast, seeing the mousetrap and not the cheese, prefer not to chase markets where low volatility will beget rising prices... until they don't.

Natural disasters have also made their mark. Alongside the tragic human cost of Hurricane Harvey, comes the bill for clearing up, with President Trump requesting \$8bn towards the rebuild effort. Discussions concerning the US debt ceiling, aimed at avoiding a government shutdown on 30 September, continue to crank up: while part of the administration is keen to link the release of flood relief funds with the debt ceiling decisions, it is also clear that more hawkish Republicans, while not wanting to be seen blocking rescue funds, have spotted the potential Trojan horse – further debate and uncertainty thus seems inevitable.

For all the sabre-rattling referenced above, the fact remains that the world's major economies are presently growing at a decent clip, hence our equity selection remains tilted more towards cyclical stocks and financial names where we have a toehold in some fresh and exciting opportunities (Walt Disney, Softbank and Vivendi) should our worries be misplaced or the good times last a little longer.

## 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 %	August 2017	Year to date	1 year	3 years	5 years	10 years
Total return NAV	0.5	0.1	1.3	13.3	28.0	127.3
Share price TR <sup>1</sup>	1.5	0.3	5.4	19.5	26.4	141.8

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

Percentage growth in total return NAV	%	As at 31 August 2017	p
30 Jun 2016 – 30 Jun 2017	8.8	<b>Share price</b>	<b>234.50</b>
30 Jun 2015 – 30 Jun 2016	-1.0	<b>Net Asset Value (NAV) per share</b>	<b>228.26</b>
30 Jun 2014 – 30 Jun 2015	7.9		%
30 Jun 2013 – 30 Jun 2014	-2.6	Premium/discount to NAV	2.7
30 Jun 2012 – 30 Jun 2013	13.8	NAV total return since inception <sup>2</sup>	182.6
		Standard deviation <sup>3</sup>	1.88
		Maximum drawdown <sup>3</sup>	-8.61

Source: Ruffer AIFM Limited, FTSE International (FTSE)<sup>†</sup>

<sup>2</sup>Including 33.6p of dividends <sup>3</sup>Monthly data (total return NAV)

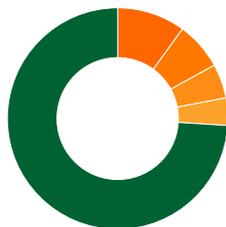
# Ruffer Investment Company Limited as at 31 August 2017

## Asset allocation



Asset allocation	%
Non-UK index-linked	16
Index-linked gilts	12
Long dated index-linked	12
Cash	7
Gold and gold equities	5
Options	1
Protective illiquid strategies	3
Japan equities	18
UK equities	9
North America equities	8
Europe equities	3
Asia ex-Japan equities	2
Other	2
Growth illiquid strategies	2
Currency allocation	%
Sterling	74
Yen	10
US dollar	7
Gold	5
Other	4

## Currency allocation



## 10 largest of 61 equity holdings\*

Stock	% of fund
T&D Holdings	2.4
Lloyds Banking Group	2.1
Sumitomo Mitsui Financial Group	1.7
Mitsubishi UFJ Finance	1.4
Walt Disney Corp	1.3
Oakley Capital	1.2
Vivendi SA	1.0
Apple Inc	1.0
Tesco plc	1.0
Fujifilm	1.0

## 5 largest of 13 bond holdings

Stock	% of fund
1.875% Treasury index-linked 2022	6.3
0.375% Treasury index-linked 2062	6.0
0.125% Treasury index-linked 2068	5.3
US Treasury 0.625% TIPS 2021	4.4
US Treasury 0.125% TIPS 2023	3.8

\*Excludes holdings in pooled funds  
Source: Ruffer AIFM Limited

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 £381.6m Market capitalisation £392.0m Shares in issue 167,163,416

## 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

\* Audited at 30 June 2016

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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 August 2017, assets managed by the group exceeded £21.6bn.