

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 July 2017.

Enquiries

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# Ruffer Investment Company Limited

An alternative to alternative asset management



July 2017 Issue 146

During July, the Company's net asset value fell by 0.9%. This compares with a rise of 1.2% in the FTSE All-Share Index.

In contrast to much of the year so far, July was largely quiet on the political front. Combined with a further drift lower in bond yields, this relative calm helped ensure most risk assets finished the month on a firm footing. US equity markets ended the month at all-time highs and volatility (as measured by the VIX index) was at an all-time low. These two coincident data points, and the fact that much of the gain in equities has been driven by multiple expansion, either indicates that we are about to enter a new paradigm for economic (ie earnings) growth or complacency is rife. We fall unequivocally in the latter camp and remain sceptical that economic growth will be sufficient to support these valuations or pay down debts accrued within the global economy.

It is without question that asset prices are high across the spectrum; market participants are currently looking for investments that are less over-priced than others. Whilst this relative argument is not necessarily an indicator of an imminent end to the party (that is usually signposted by the fear of missing out), it does suggest that prospective returns are likely to be low in most asset classes over any sensible timeframe and investors are readily accepting greater risk than they would previously have done in order to generate adequate returns. Current growth rates are providing sufficient confidence to allow the Federal Reserve (and potentially the European Central Bank) to discuss reducing the size of its bloated balance sheet as we move through the year. It is difficult to judge what impact this will have on the market but historical precedents are not pretty. Given today's starting point, an element of circumspection is warranted. For this reason we retain our protective positions, both conventional and more esoteric. However, with evidence suggesting that global deflation remains in place, we continue to hold exposure to banks and other companies geared into improving economic activity should the inevitable inflection point prove to be some way off.

As described above, the previous certainty of central bank asset purchases will be called into question, suggesting that the pricing of both bonds and bond-like equities may not be underpinned. The sell-off in US technology stocks in June illustrated the danger of suppressed volatility and crowded trades. Closer to home, the previously much-loved tobacco sector fell sharply on pronouncements from the US Food and Drug Administration, providing a further reminder of these dangers, combined with stretched valuations, in the last few days of July. Whilst British American Tobacco offers a yield of 3.5%, this does not compensate holders if the capital value falls even marginally. This is not a forecast of an imminent collapse, merely a hint of the dangers that may come to pass.

## 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 2017	Year to date	1 year	3 years	5 years	10 years
Total return NAV	-0.9	-0.5	3.9	15.1	27.3	127.4
Share price TR <sup>1</sup>	-2.1	-1.0	8.8	18.5	26.0	146.6

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

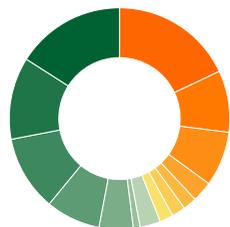
Percentage growth in total return NAV	%	As at 31 July 2017	p
30 Jun 2016 – 30 Jun 2017	8.8	<b>Share price</b>	<b>231.00</b>
30 Jun 2015 – 30 Jun 2016	-1.0	<b>Net Asset Value (NAV) per share</b>	<b>227.03</b>
			%
30 Jun 2014 – 30 Jun 2015	7.9	Premium/discount to NAV	1.7
30 Jun 2013 – 30 Jun 2014	-2.6	NAV total return since inception <sup>2</sup>	181.0
30 Jun 2012 – 30 Jun 2013	13.8	Standard deviation <sup>3</sup>	1.89
		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 July 2017

## Asset allocation



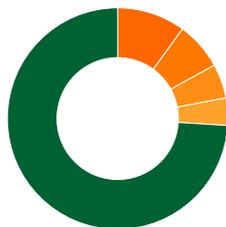
## Asset allocation

Asset Allocation Category	Percentage
Non-UK index-linked	16
Index-linked gilts	12
Long dated index-linked	11
Cash	8
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

Currency Allocation Category	Percentage
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	2.5
Lloyds Banking Group	2.2
Sumitomo Mitsui Financial Group	1.8
Mitsubishi UFJ Finance	1.4
Oakley Capital	1.3
Walt Disney Corp	1.1
McKesson Group	1.0
Tenaris	1.0
Tesco plc	1.0
Apple Inc	0.9

## 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	4.4
US Treasury 0.125% TIPS 2023	3.7

\*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 £376.2m Market capitalisation £382.8m Shares in issue 165,713,416

## 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 July 2017, assets managed by the group exceeded £21.3bn.