Ruffer Investment Company Limited – RICA

Investment monthly report – March 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 March 2017.

Enquiries

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Ruffer Investment Company Limited

An alternative to alternative asset management

During March the Company's net asset value fell by 0.4% in total return terms. This compares with an increase of 1.2% in the FTSE All-Share Total Return Index. During the month the company paid an interim dividend of 0.9p per share.

Over the course of the month some of the momentum has waned from the global reflation trade. The moment has arrived when the seemingly unstoppable force (Donald Trump) collided with the vast bureaucracy and vested interests of Washington DC. What we have seen is even a Tasmanian devil such as President Trump cannot transform overnight the gridlock of the political establishment into the promised engine of deregulation and job creation. Some will argue he picked the argument he was never going to win first so he could move quickly on, but nonetheless this represents the first challenge of his infant presidency.

The lack of tangible and immediate progress has been frustrating for the bulls. It is surprising to us that the market has been surprised – given the disharmony across the aisle it was never going to be easy and the implicit assumption of a roaring S&P 500 was that these policies would be implemented without delay or compromise.

Where this becomes relevant for investors is that markets have evolved in the last couple of quarters to fixate on the words and actions of politicians rather than those of central bankers. This is exactly the shift we would expect in a world which is embracing fiscal rather than monetary solutions to the chronic problem of too much debt and too little growth. So if central banks are, for the moment, offstage right and the spotlight is on Trump, the French election and the Brexit negotiations, what happens if they fluff their lines?

To complicate matters further, relations between the Federal Reserve governors and the US administration are frosty at best after some of the ornery things said on the campaign trail about removing central bank independence. Having, for quite some time, been deliberately behind the curve in terms of action relative to improving economic data, the Fed is now at pains to emphasise it will deliver 3-4 rate hikes in 2017 and that the normalisation process is well under way. Surely President Trump would like to serve his term with the support of a Fed funds rate never above 0.5% as President Obama did. Thus we worry about an air pocket in which Trump's reform and fiscal easing remains stymied whilst markets have to start reacting to the first Fed hiking cycle since 2004. For this reason we have increased our interest rate protection to the extent that we have a negligible net portfolio duration today.

A rate hiking cycle, to the extent one truly emerges, will be a pivotal development. Many stock and bond investors have grown accustomed to justifying paltry yields by comparing them to cash returns. What intellectual gymnastics will be required to explain why stocks go up when rates are both rising and falling? Despite this, looking further out, we contend the global debt mountain prevails to put a ceiling on where interest rates can go.

Over the month we have been drawing in our horns by slightly trimming Japanese equities (Fujitsu, T&D Holdings) and taking some profits in cyclical equities (Aker ASA, Boeing). Our caution is reflected in the continuing low equity weighting which remains below 40%.

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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 %	March 2017	Year to date	1 year	3 years	5 years	10 years
Total return NAV	-0.4	0.5	12.8	16.5	24.6	127.8
Share price TR[1]	-0.8	1.5	17.9	17.8	24.7	142.5

[1]Assumes re-investment of dividends

Percentage growth in total return NAV	%
31 Mar 2016 – 31 Mar 2017	12.8
31 Mar 2015 – 31 Mar 2016	-4.9
31 Mar 2014 – 31 Mar 2015	8.6
31 Mar 2013 – 31 Mar 2014	-2.1
31 Mar 2012 – 31 Mar 2013	9.3

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

As at 31 March 2017	**p**
Share price	**237.50**
Net Asset Value (NAV) per share	**229.20**
	%
Premium/discount to NAV	3.6
NAV total return since inception[2]	183.7
Standard deviation[3]	1.91
Maximum drawdown[3]	-8.61

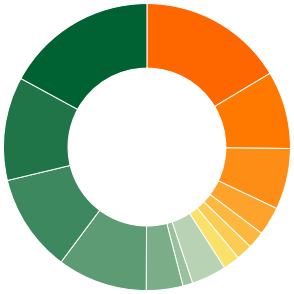
[2]Including 33.6p of dividends [3]Monthly data (total return NAV)

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 31 March 2017

NAV £368.4m Market capitalisation £381.7m Shares in issue 160,713,416

Portfolio structure



Asset allocation	%
Non-UK index-linked	17
Long dated index-linked	12
Index-linked gilts	11
Cash	10
Gold and gold equities	4
Options	1
Protective illiquid strategies	4

	%
Japan equities	16
UK equities	9
North America equities	7
Europe equities	3
Asia ex-Japan equities	2
Other	2
Growth illiquid strategies	2



Currency allocation	%
Sterling	83
Yen	5
Gold	4
US dollar	3
Other	5

5 largest of 13 bond holdings

Stock	% of fund
1.875% Treasury index-linked 2022	6.5
0.375% Treasury index-linked 2062	5.9
0.125% Treasury index-linked 2068	5.3
US Treasury 0.625% TIPS 2021	4.7
US Treasury 0.125% TIPS 2023	4.0

Source: Ruffer AIFM Limited

5 largest of 58 equity holdings*

Stock	% of fund
T&D Holdings	2.7
Lloyds Banking Group	2.1
Mitsubishi UFJ Finance	1.5
Sumitomo Mitsui Financial Group	1.3
FujjFilm Holdings	1.0

*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

* 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 March 2017, assets managed by the group exceeded £21.4bn.