

Investment monthly report

Released 17:20 7 November 2018

Ruffer Investment Company Limited

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

Attached is the investment monthly report for October 2018.

Enquiries

Northern Trust International Fund Administration Services (Guernsey) Limited

Martin Bourgaize +44 1481 745552

# Ruffer Investment Company Limited

An alternative to alternative asset management



October 2018 Issue 161

During the month, the net asset value fell by 2.1%. This compares with a fall of 5.2% in the FTSE All-Share Index. The Company paid a dividend of 0.9p on 5 October.

Eight months on from February's volatility shock October served to remind investors that risk assets are so called for a reason. Despite a recovery at the end of the month global equities fell by nearly 6% in October and what was notable this time was that the technology giants, which have dominated equity markets this year, led the fall, with the share prices of companies such as Amazon and Netflix down over 20% from their recent highs.

As so often happens after such a drop in equity values, various explanations are proposed. Our overriding concern over the last year or so, and the main driver of our cautious equity allocation, has been that the coming change in central bank policy would not be a smooth one. Monetary tightening from the US Federal Reserve and later this year the tapering of asset purchases by the European Central Bank, will unsettle markets after nine years of monetary largesse. Moreover with the US economy strong, and wage growth there responding to the lowest unemployment levels since 1969, we strongly believe the Fed is likely to need a substantial market fall, or economic slump, before contemplating a change of course, whatever the views of the present incumbent of the White House. To our eyes it is fanciful to expect mid-single digit drops in equities even to feature on the Fed's radar. Higher US interest rates, now at 2.25%, are only one side of this story of reduced liquidity, with quantitative tightening now running at \$50bn per month as the Fed seeks to shrink its balance sheet.

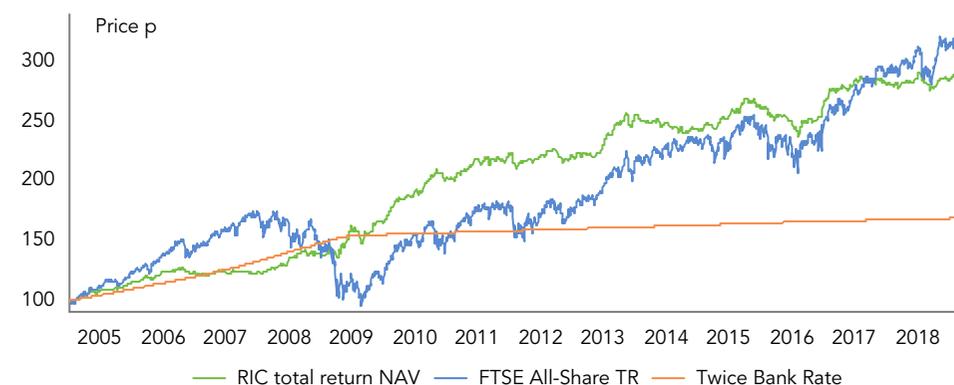
We obviously do not know whether the present turbulence will blow over or if it is a prelude to a more substantial fall in equity markets. Alongside this removal of liquidity, concerns are growing as to whether the economic and profit cycles are approaching their peak, and trade wars, Brexit and Italian budget discussions continue to hover in the background. However, the resumption of share buybacks in the US may provide support to equity markets, and last month saw the announcement of further fiscal stimulus from China, this time in the form of income tax cuts. Following last month's decline and February's fall, the more episodes we have like this, the greater the risk of a significant downturn and the people who have previously bought the dips, feeling less inclined to do so.

In that context we are not minded to increase our equity weighting on the back of these falls. We maintain around 40% in equities alongside the portfolio's unconventional protections, gold and index-linked bonds, which we hope will offset losses and produce positive total returns even if the equity environment were to worsen from here.

## 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 %	October 2018	Year to date	1 year	3 years	5 years	10 years
Total return NAV	-2.1	-2.7	-1.5	9.0	11.1	98.6
Share price TR <sup>1</sup>	-0.4	-1.8	-0.5	11.4	10.5	103.2

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

Percentage growth in total return NAV	%	As at 31 October 2018	p
30 Sep 2017 – 30 Sep 2018	1.5	Share price	230.00
30 Sep 2016 – 30 Sep 2017	1.6	Net Asset Value (NAV) per share	222.81
30 Sep 2015 – 30 Sep 2016	10.0		%
30 Sep 2014 – 30 Sep 2015	1.5	Premium/discount to NAV	3.2
30 Sep 2013 – 30 Sep 2014	-0.6	NAV total return since inception <sup>2</sup>	178.9
		Standard deviation <sup>3</sup>	1.83
		Maximum drawdown <sup>3</sup>	-8.62

Source: Ruffer LLP, FTSE International (FTSE) †

<sup>2</sup>Including 36.3p of dividends <sup>3</sup>Monthly data (total return NAV)

# Ruffer Investment Company Limited as at 31 Oct 2018

## Asset allocation



### Asset allocation %

● Non-UK index-linked	21.4
● Long-dated index-linked gilts	12.1
● Cash	10.2
● Gold and gold equities	7.3
● Illiquid strategies and options	5.2
● Index-linked gilts	4.1
● Japan equities	14.0
● UK equities	10.5
● North America equities	10.4
● Europe equities	2.4
● Asia ex-Japan equities	2.3

### Currency allocation %

● Sterling	70.0
● US dollar	15.0
● Yen	6.0
● Gold	6.0
● Other	3.0

## Currency allocation



## 10 largest of 59 equity holdings\*

Stock	% of fund
Sumitomo Mitsui Financial Group	2.1
Tesco	2.0
T&D	2.0
Walt Disney Company	1.9
Vivendi	1.8
Mitsubishi UFJ Financial	1.7
Resona	1.3
ExxonMobil	1.3
iShares Physical Gold	1.1
Ocado	1.1

## 5 largest of 14 bond holdings

Stock	% of fund
UK Treasury index-linked 0.375% 2062	5.8
UK Treasury index-linked 0.125% 2068	5.4
US Treasury 0.625% TIPS 2021	4.2
US Treasury 0.125% TIPS 2023	3.6
US Treasury 0.375% TIPS 2023	3.5

\*Excludes holdings in pooled funds  
Source: Ruffer LLP. Pie chart totals may not equal 100 due to rounding.

NAV £401.3m Market capitalisation £414.2m Shares in issue 180,088,420

## 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
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 2018

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## Fund 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 Ruffer Investment Company.



### Duncan MacInnes

#### INVESTMENT DIRECTOR

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.



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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. The Key Information Document is provided in English and available on request or from [www.ruffer.co.uk](http://www.ruffer.co.uk).

## Enquiries

Ruffer AIFM Ltd +44 (0)20 7963 8254  
80 Victoria Street [rif@ruffer.co.uk](mailto:rif@ruffer.co.uk)  
London SW1E 5JL [www.ruffer.co.uk](http://www.ruffer.co.uk)

## Ruffer LLP

The Ruffer Group manages investments on a discretionary basis for private clients, trusts, charities and pension funds. As at 30 Sep 2018, assets managed by the group exceeded £22.8bn.