

Investment monthly report

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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 September 2018.

Enquiries

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# Ruffer Investment Company Limited

An alternative to alternative asset management



September 2018 Issue 160

During September, the net asset value of the Company rose by 0.1%, after adjusting for the 0.9p dividend declared on 11 September. This compares with a rise of 0.7% in the FTSE All-Share index.

It is striking how little change there has been to the narrative of financial markets in the last two years. As global growth continues to recover and unemployment falls, there are two key questions for investors: a) Is the global economy strong enough to tolerate higher interest rates? b) What will be the impact on financial markets as liquidity conditions tighten? This dilemma continues to play out against a backdrop of rising political tensions: chief amongst these are Brexit, Italian budgets and trade wars. The same questions were asked as Donald Trump came to power in 2016 and despite having seen eight interest rate hikes from the Federal Reserve in this cycle, it is still no clearer at what point this tightening starts to bite and has a material negative impact on asset prices.

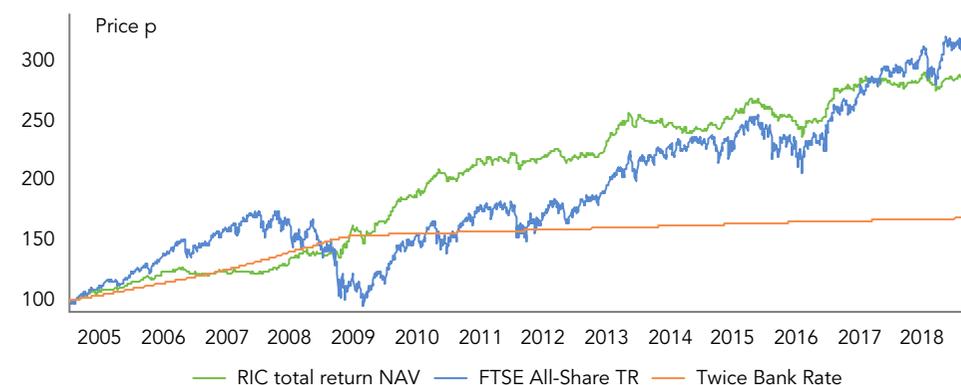
For much of September, the strength of the global economy dominated sentiment. The prospect of higher rates and steeper yield curves saw bonds fall and equity markets rotate towards more economically sensitive areas: oil majors, commodities and financials provided market leadership. Japanese equities benefited and stresses in emerging markets, which haunted markets for much of the summer, temporarily receded. This came to an abrupt end on the penultimate day of the month with the announcement of the Italian budget. As had been feared, the populist coalition announced plans for a budget deficit three times that previously forecast, threatening to break eurozone budget rules. Risk assets turned abruptly, with bond yields and European equities falling sharply. The Italian government pointed to the additional growth this fiscal splurge would generate – strikingly similar to the narrative of the Trump administration two years earlier. This time around, markets were less forgiving principally because of the likelihood of overshooting the new deficit target, but also because of the fragilities of the single currency. This reaction further highlights the risk in markets: the global economy is fine, but as global policy tightens, the weakest links are being punished in a way they weren't in recent years.

Despite remaining cautious of markets, and steadfast in the need for protection, we continue to be of the view that the global economy remains robust, hence our preference for cyclical equities. The risk is that this economic strength may sow the seeds of the next crisis; we saw how this logic could unfold in February. According to Jerome Powell, stable inflation expectations are key to preventing a revenge of the Phillips curve; the danger being that as the recovery continues the Fed may have to move more aggressively than its governors or the market currently think necessary.

## 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 %	September 2018	Year to date	1 year	3 years	5 years	10 years
Total return NAV	0.1	-0.6	1.6	13.5	14.5	102.2
Share price TR <sup>1</sup>	-1.1	-1.4	1.0	14.5	12.2	102.1

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

Percentage growth in total return NAV	%	As at 28 September 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	228.54
			%
30 Sep 2015 – 30 Sep 2016	10.0	Premium/discount to NAV	0.6
30 Sep 2014 – 30 Sep 2015	1.5	NAV total return since inception <sup>2</sup>	184.9
30 Sep 2013 – 30 Sep 2014	-0.6	Standard deviation <sup>3</sup>	1.82
		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 28 Sep 2018

## Asset allocation



### Asset allocation %

● Non-UK index-linked	15.7
● Cash	12.3
● Long-dated index-linked gilts	11.4
● Gold and gold equities	7.1
● Illiquid strategies and options	5.7
● Index-linked gilts	5.6
● Japan equities	15.4
● North America equities	11.0
● UK equities	10.6
● Europe equities	2.7
● Asia ex-Japan equities	2.5

### 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
Walt Disney	2.2
Sumitomo Mitsui Financial	2.1
T&D	2.0
Vivendi SA	2.0
Mitsubishi UFJ Financial	1.7
Tesco	1.6
Resona	1.5
ExxonMobil	1.3
Japan Post	1.2
Ocado	1.1

## 5 largest of 12 bond holdings

Stock	% of fund
UK Treasury index-linked 0.375% 2062	5.4
UK Treasury index-linked 0.125% 2068	5.0
US TIPS 0.625% 2021	4.1
UK Treasury index-linked 1.875% 2022	3.8
US Treasury 0.125% TIPS 2023	3.5

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

NAV £409.5m Market capitalisation £412.1m Shares in issue 179,188,420

## 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).

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## Ruffer LLP

The Ruffer Group manages investments on a discretionary basis for private clients, trusts, charities and pension funds. As at 31 August 2018, assets managed by the group exceeded £22.1bn.