

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 January 2019.

Enquiries

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# Ruffer Investment Company Limited

An alternative to alternative asset management

During January, the net asset value of the Company rose by 3.4%. This compares with a rise of 4.2% in the FTSE All-Share index. At month end the shares traded on a discount to NAV of 4%.

After their pronounced fall in December, January saw global equities recoup some of their losses, rising around 5% in sterling during the month. The principal reason was not hard to find: soothing words from Jerome Powell, chairman of the US Federal Reserve, concerning the future path of US interest rates and the shrinkage of the Fed's balance sheet, both of which had been key factors in December's sell off. With markets sensing that the US central bank was back on their side, little further encouragement was needed for equities to rally sharply.

We are more than a little concerned that the above development has made investors complacent, and increased the Fed's dilemmas going forward. Markets have now priced out any rises in US interest rates this year, even though US jobs growth remains strong, unemployment is at 40 year lows and US wage growth above 3%. If such trends continue, interest rate rises will be back on the table, and the confidence of last month could evaporate rapidly. If, on the other hand, the Fed stands pat in such circumstances, the risk of inflation seeping back into the system will grow, and it will be deemed to be behind the curve and to have lost control of policy. Under those conditions the portfolio's US inflation-linked bonds, which we increased towards the end of last year, will step into the limelight.

On a short-term view, we have no grouse with the view that equities could rally further, and to that extent it has been pleasing to see several of the portfolio's cyclical stocks, some of which we added to in the extreme weakness of Q4, staging a healthy recovery last month. However, we are loath to raise further the portfolio's exposure to equities. While January saw a strong recovery in credit, we remain concerned about the continuing degradation in lending standards and the lack of risk premium being offered to buyers of corporate bonds. Today, 50% of outstanding investment grade credit is rated BBB, (one notch above junk status), whilst the underlying corporates have higher leverage and the loan documents fewer protective covenants than at the peak of the last cycle. While our credit protections unsurprisingly lost ground in January, giving back some of the near 30% gain made as markets fell in Q4, we took the opportunity brought about by that weakness to reinforce those positions. This reflects our belief that the area of credit remains the most treacherous part of the financial system. With liquidity in this market a shadow of its former self, we believe any accident in corporate bonds could rapidly spread to other risk assets, further supporting our relatively cautious stance.

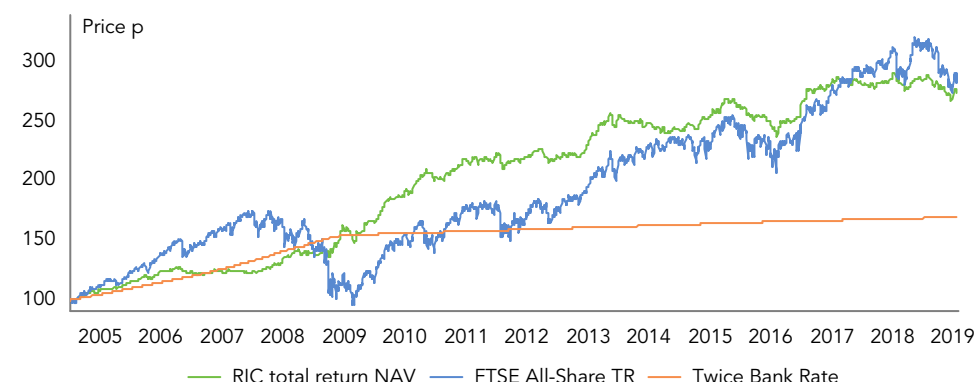


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## Investment objective

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 %               | January 2019 | Year to date | 1 year | 3 years | 5 years | 10 years |
|-----------------------------|--------------|--------------|--------|---------|---------|----------|
| Total return NAV            | 3.4          | 3.4          | -2.5   | 13.0    | 13.6    | 74.2     |
| Share price TR <sup>1</sup> | 2.6          | 2.6          | -8.2   | 9.2     | 6.7     | 68.0     |

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

| Percentage growth in total return NAV | %    | As at 31 January 2019                         | p      |
|---------------------------------------|------|---|--------|
| 31 Dec 2017 – 31 Dec 2018             | -6.0 | Share price                                   | 213.00 |
| 31 Dec 2016 – 31 Dec 2017             | 1.6  | Net Asset Value (NAV) per share               | 222.65 |
| 31 Dec 2015 – 31 Dec 2016             | 12.4 |   | %      |
| 31 Dec 2014 – 31 Dec 2015             | -1.0 | Premium/discount to NAV                       | -4.3   |
| 31 Dec 2013 – 31 Dec 2014             | 1.8  | NAV total return since inception <sup>2</sup> | 178.7  |
|                                       |      | Standard deviation <sup>3</sup>               | 1.84   |
|                                       |      | 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 Jan 2019

## Asset allocation



## Asset allocation %

|                                 |      |
|---------------------------------|------|
| Non-UK index-linked             | 28.3 |
| Long-dated index-linked gilts   | 12.2 |
| Illiquid strategies and options | 9.1  |
| Gold and gold equities          | 8.9  |
| Cash                            | 3.4  |
| Index-linked gilts              | 2.0  |

|                        |      |
|------------------------|------|
| UK equities            | 11.1 |
| Japan equities         | 10.5 |
| North America equities | 9.9  |
| Europe equities        | 2.9  |
| Asia ex-Japan equities | 1.2  |

## Currency allocation %

|           |      |
|-----------|------|
| Sterling  | 73.4 |
| Yen       | 9.0  |
| Gold      | 8.9  |
| US dollar | 7.5  |
| Euro      | 0.3  |
| Other     | 0.9  |

## Currency allocation



## 10 largest of 53 equity holdings\*

| Stock                           | % of fund |
|---------------------------------|-----------|
| Tesco                           | 2.4       |
| Walt Disney Company             | 2.2       |
| Vivendi                         | 1.8       |
| T&D                             | 1.5       |
| iShares Physical Gold           | 1.5       |
| ExxonMobil                      | 1.2       |
| Ocado                           | 1.2       |
| Mitsubishi UFJ Financial        | 1.2       |
| Sumitomo Mitsui Financial Group | 1.2       |
| Bandai Namco                    | 1.1       |

## 5 largest of 15 bond holdings

| Stock                                | % of fund |
|--------------------------------------|-----------|
| UK Treasury index-linked 0.125% 2068 | 5.7       |
| UK Treasury index-linked 0.375% 2062 | 5.6       |
| US Treasury 0.375% TIPS 2023         | 5.5       |
| US Treasury 0.625% TIPS 2024         | 5.3       |
| US Treasury 0.125% TIPS 2023         | 5.3       |

\*Excludes holdings in pooled funds

Source: Ruffer LLP.

Pie chart totals may not equal 100 due to rounding.

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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).

NAV £402.5m Market capitalisation £385.1m Shares in issue 180,788,420

## Company information

|   |              |  |
|---|--------------|--|
| Annual management charge (no performance fee) |              | 1.0%   |
| Total Expense Ratio*                          |              | 1.18%  |
| Ex dividend dates                             |              | March, September   |
| NAV valuation point                           |              | Weekly, every Tuesday<br>Plus the 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.



### 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.



## Enquiries

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|--------------------|--|
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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 December 2018, assets managed by the group exceeded £20.9bn.