

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 December 2018.

Enquiries

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# Ruffer Investment Company Limited

An alternative to alternative asset management

During the month, the net asset value fell by 1.5%. This compares with a fall of 3.7% in the FTSE All-Share Index.

In a turbulent month our protective assets started to come into play. If we were to factor in the positive performance of the protective credit and volatility strategies, which did not price until after the month end, then the NAV would have fallen less than 1%. From where we stand a further market fall should see the Company perform well. That being said, we have failed in the last 12 months to deliver on Ruffer's *raison d'être*: namely to protect capital and deliver positive returns regardless of the direction of markets. That is disappointing and frustrating to us; more importantly it has been costly to our shareholders.

Let us briefly survey what the financial historians will likely say about 2018. The most striking factor was the all-encompassing nature of the decline. Recent market volatility has not been an economic event (yet) but a financial market one: the global economy has been growing robustly with the US at the forefront. Yet a Deutsche Bank study demonstrated that more than 90% of asset classes posted losses in dollar terms for the year, a record since 1908. In December, not a single company managed to borrow money in the \$1.2 trillion high yield market and it will go down as the worst December ever for US stocks. Oil plunged 42% from peak to trough with no clear catalyst and President Trump scared the horses by engaging in trade wars and musing about firing the chairman of the Federal Reserve. For the first time in several years, Federal Reserve and Treasury communication policy hurt, rather than helped, the market.

So how is the portfolio currently positioned? We have our lowest allocation to equities since 2008, at 34%. Yet we have still sustained damage here. Our exposure was focused on cyclical businesses trading on low valuations, which we thought would best capture the benefits of economic growth. Low valuations did not soften the blow as these stocks fell in line with equity markets, but we remain confident that these investments will be well placed to capture any bounce. On the opposite side of the ledger, we have deliberately chosen to protect the portfolio from material declines, rather than buying expensive protection against bumps in the road. As such, the protective investments have only just begun to kick in, the exception being our investments against distress in credit markets: these have performed well (up around 30% over the quarter) and we would expect them to continue to deliver strong positive returns should the stresses we observe begin to manifest themselves more seriously.

Looking into 2019, credit markets are likely to be the epicentre of the next crisis, but the effects will be felt much more widely. The combination of option protection and the aforementioned credit market protection will be a powerful one and should more than offset any losses in our relatively trim equity exposure. When combined with gold starting to show signs of life and index-linked bonds likely to contribute positively, this should allow us to be greedy when others are fearful, if markets fall further.

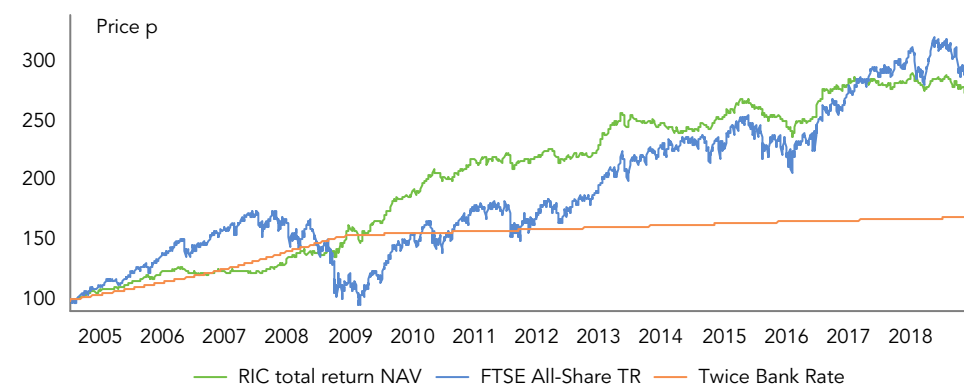


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## Investment objective

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 %	December 2018	Year to date	1 year	3 years	5 years	10 years
Total return NAV	-1.5	-6.0	-6.0	7.4	8.2	65.4
Share price TR <sup>1</sup>	-5.3	-10.1	-10.1	2.7	5.9	64.4

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

Percentage growth in total return NAV	%	As at 31 December 2018	p
31 Dec 2017 – 31 Dec 2018	-6.0	Share price	208.00
31 Dec 2016 – 31 Dec 2017	1.6	Net Asset Value (NAV) per share	215.24
31 Dec 2015 – 31 Dec 2016	12.4		%
31 Dec 2014 – 31 Dec 2015	-1.0	Premium/discount to NAV	-3.4
31 Dec 2013 – 31 Dec 2014	1.8	NAV total return since inception <sup>2</sup>	169.4
		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 Dec 2018

## Asset allocation



## Asset allocation %

Non-UK index-linked	29.9
Long-dated index-linked gilts	12.4
Gold and gold equities	8.8
Illiquid strategies and options	7.0
Cash	3.9
Index-linked gilts	3.3

UK equities	10.5
Japan equities	10.4
North America equities	9.3
Europe equities	2.9
Asia ex-Japan equities	1.5

## Currency allocation %

Sterling	73.6
Yen	9.4
Gold	8.8
US dollar	7.2
Other	1.0

## Currency allocation



## 10 largest of 52 equity holdings\*

Stock	% of fund
Walt Disney Company	2.2
Tesco	2.1
Vivendi	1.8
iShares Physical Gold	1.5
T&D	1.5
Resona	1.3
ExxonMobil	1.2
Mitsubishi UFJ Financial	1.2
Sumitomo Mitsui Financial Group	1.1
Bandai Namco	1.1

## 5 largest of 15 bond holdings

Stock	% of fund
US Treasury 0.375% TIPS 2023	5.8
UK Treasury index-linked 0.125% 2068	5.7
UK Treasury index-linked 0.375% 2062	5.7
US Treasury 0.625% TIPS 2024	5.6
US Treasury 0.125% TIPS 2023	5.6

\*Excludes holdings in pooled funds

Source: Ruffer LLP.

Pie chart totals may not equal 100 due to rounding.

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

NAV £389.1m Market capitalisation £376m 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 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.



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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 30 Nov 2018, assets managed by the group exceeded £21.1bn.