

Ruffer Investment Company Limited

An alternative to alternative asset management



May 2016 Issue 132

During May the net asset value (NAV) increased by 0.3% to 205.8p. This compared with a rise of 0.7% in the FTSE All-Share Total Return Index. The small discount to NAV closed over the month as the share price rose 1.6% to 206p.

The old investment adage, 'sell in May and go away', looked apt by the end of the first week of May as sentiment started off on a negative footing. However, by the end of the month equity markets had largely regained their poise to finish broadly unchanged. May therefore appeared to be a month of marking time before the more market sensitive events of June. This month we will see the 'Brexit' referendum, the next round of central bank meetings and a Japanese Upper House election.

From a UK investor's perspective the most pressing of these is probably the EU referendum vote. Whilst politicians from both the 'in' and 'out' camps plead their cases, it has become increasingly clear that neither they nor the electorate are in a position to know what things would look like should the vote be for a Brexit. Should the status quo prevail then sterling could be surprisingly strong, (as we have already seen in recent weeks), hence our desire to stay close to our base currency. While sterling weakness in the short term would be an opportunity missed, with a global portfolio our principal concern is the certainty of a capital loss should sterling strengthen.

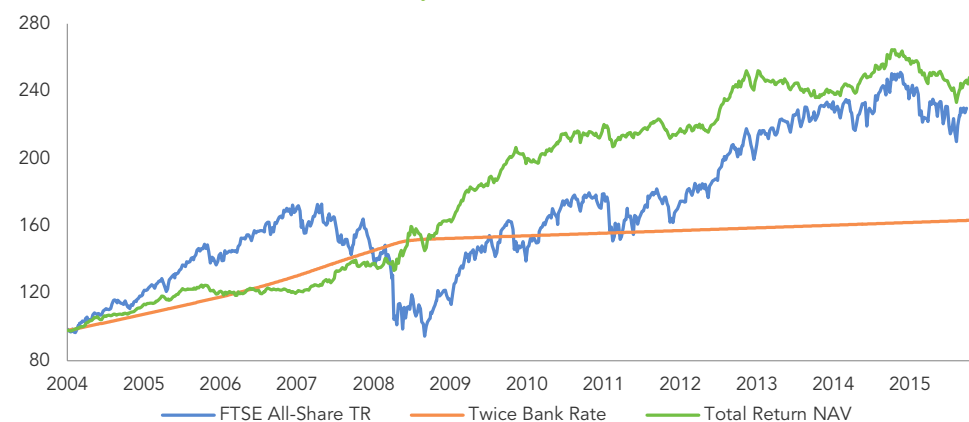
On a global basis, the key issue is the continued debate about when (or indeed if) the US Federal Reserve will raise interest rates. From the middle of May financial markets appeared suddenly to be reminded that the Fed is not done with raising rates after December's lift-off following a seven year pause. Expectations for a rise in June have fluctuated with each new data release or Fed speech, and investors wavered between hopes of a normalisation and fears of what that might mean for asset prices. In contrast to previous occasions, financial markets have largely taken these machinations in their stride. The dollar has unsurprisingly seen some renewed strength, creating a headwind to emerging markets and most commodities. However stable oil prices and orderly credit markets helped keep equity markets steady.

The end of May saw the much anticipated G7 meeting in Japan. Whilst the outcome was unsurprisingly short on detail, the gathered leaders decreed that 'the world economy faces big risks' and a more flexible approach to driving global growth may be required. Whilst this does not represent unilateral support for a large fiscal stimulus, it appears to be a step in that direction. Post the meeting the Japanese prime minister announced the deferral of the increase in Japan's consumption tax, despite comments to the contrary from his finance minister at the G7. This move was not immediately accompanied by any further stimulus package but this may follow. The yen strengthened on this disappointing outcome. Despite being nervous about leaving our base currency, we had increased our yen exposure earlier in the month; a defensive move that has helped. We still think that we may see more dramatic policy shifts in Japan as the election campaign gets under way on 22 June shortly after the next Bank of Japan meeting. Both events could deliver positive surprises.

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 %	May 2016	Year to date	1 year	3 years	5 years	10 years
Total return NAV	0.3	0.3	-6.4	-0.5	14.8	103.0
Share price TR ¹	1.6	-1.3	-5.9	-3.5	10.8	91.7

¹Assumes re-investment of dividends

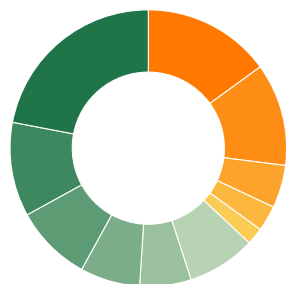
Percentage growth in total return NAV	%	As at 31 May 2016	p
31 Mar 2015 – 31 Mar 2016	-4.9	Share price	206.00
31 Mar 2014 – 31 Mar 2015	8.6	Net Asset Value (NAV) per share	205.82
31 Mar 2013 – 31 Mar 2014	-2.1		%
31 Mar 2012 – 31 Mar 2013	9.3	Premium/discount to NAV	0.1
31 Mar 2011 – 31 Mar 2012	3.9	NAV total return since inception ²	151.9
		Standard deviation ³	1.91
		Maximum drawdown ³	-8.61

Source: Ruffer AIFM Limited

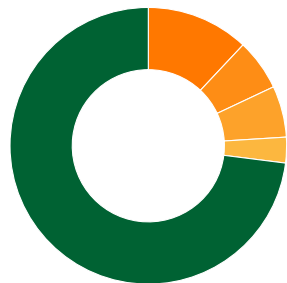
²Including 31.0p of dividends ³Monthly data (total return NAV)

Ruffer Investment Company Limited as at 31 May 2016

Portfolio structure



Asset allocation	%		%
● Non-UK index-linked	22	● Japan equities	15
● Long dated index-linked	11	● North America equities	12
● Index-linked gilts	9	● UK equities	5
● Cash	7	● Europe equities	3
● Gold and gold equities	6	● Asia ex-Japan equities	2
● Illiquid strategies	8		



Currency allocation	%
● Sterling	73
● Yen	12
● US dollar	6
● Gold	6
● Other	3

5 largest of 12 bond holdings

Stock	% of fund	Stock	% of fund
1.875% Treasury index-linked 2022	6.6	T&D Holdings	1.9
0.375% Treasury index-linked 2062	5.0	Sumitomo Mitsui Financial Group	1.8
US Treasury 0.625% TIPS 2021	4.6	Mitsubishi UFJ Finance	1.8
0.125% Treasury index-linked 2068	4.2	Oakley Capital	1.3
US Treasury 0.125% TIPS 2023	3.9	Lockheed Martin	1.2

Source: Ruffer AIFM Limited

5 largest of 51 equity holdings*

Stock	% of fund
T&D Holdings	1.9
Sumitomo Mitsui Financial Group	1.8
Mitsubishi UFJ Finance	1.8
Oakley Capital	1.3
Lockheed Martin	1.2

*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.

NAV £320.7m Market capitalisation £321.0m Shares in issue 155,838,416

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

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.



Ruffer

The Ruffer Group manages investments on a discretionary basis for private clients, trusts, charities and pension funds. As at 31 May 2016, assets managed by the group exceeded £18.2bn.

Enquiries

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