

Ruffer Investment Company Limited

An alternative to alternative asset management



April 2017 Issue 143

During April the Company's net asset value rose by 0.2%. This compares with a fall of 0.4% in the FTSE All-Share Total Return Index.

April saw a major shock for the UK political commentariat; against expectations and with no prior leak Prime Minister Theresa May announced a snap UK general election for 8 June. Sterling, which has been the lightning conductor for sentiment towards the UK since last year's EU vote, rallied on the news as investors moved to price in the possibility of some form of transitional arrangement after the UK's exit. The company continues to have substantial exposure to sterling; as well as considering the UK's currency undervalued, we also continue to find few attractive protective qualities in non-sterling currencies that would justify holding them.

Across the English Channel there was an almost equal surprise; the first round of voting for the French presidential election actually produced an outcome in line with the pollsters. If that phenomenon repeats itself, then at the time of writing the centrist candidate, M. Macron, should defeat Mme. Le Pen from the Front National in the run off. While eurozone equity markets surged in relief following the first round results, it remains unclear whether the political novelty of M. Macron will overcome the likelihood that the French parliamentary elections next month produce an outcome that results in a period of impasse and gridlock, thereby delaying much-needed reform.

Away from political developments what seems clear is that while economies may not be growing at the rates desired by politicians and electorates, they continue in general to heal. The US economy, while experiencing its now seemingly customary first quarter softness continues to chug along, eurozone indicators are at a six-year high, and while the Chinese economy might have long-term structural issues, it presently continues to defy talk of an abrupt cyclical slowdown. The exception to this might be the UK, where the return of inflation appears to be dulling consumers' enthusiasm via stagnant real earnings. Taken together these factors encourage us to keep the faith in terms of our equity selection, favouring financial and cyclical exposure over 'bond-like' equities, even admitting that such a view has not been rewarded this year, as investors' hopes for economic recovery have waned.

Where that scepticism around growth is clearly most rife concerns the US. Fading hopes for imminent tax cuts, coupled with resounding silence on possible infrastructure spending, have prompted a rethink as to whether the arrival of President Trump genuinely represents a major change. We continue to believe that the next chapter of the post-crisis narrative will see greater involvement by government, with all the inflation risk inherent in a growing role for fiscal policy. In the meantime inflation indicators in most jurisdictions are coming in higher than forecast, sharpening policy dilemmas for central banks. All of this speaks to a risk of higher volatility in markets, as well as cementing our view that inflation-linked bonds must sit at the core of our asset allocation for the foreseeable future.

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 %	April 2017	Year to date	1 year	3 years	5 years	10 years
Total return NAV	0.2	0.7	13.2	17.9	28.3	127.6
Share price TR ¹	-1.7	0.1	15.9	20.6	26.6	139.6

¹Assumes re-investment of dividends

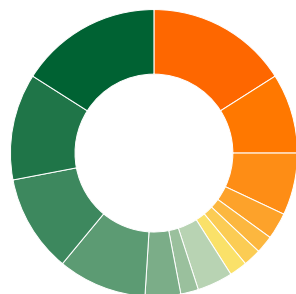
Percentage growth in total return NAV	%	As at 28 April 2017	p
31 Mar 2016 – 31 Mar 2017	12.8	Share price	233.50
31 Mar 2015 – 31 Mar 2016	-4.9	Net Asset Value (NAV) per share	229.60
			%
31 Mar 2014 – 31 Mar 2015	8.6	Premium/discount to NAV	1.7
31 Mar 2013 – 31 Mar 2014	-2.1	NAV total return since inception ²	184.2
31 Mar 2012 – 31 Mar 2013	9.3	Standard deviation ³	1.90
		Maximum drawdown ³	-8.61

Source: Ruffer AIFM Limited, FTSE International (FTSE)[†]

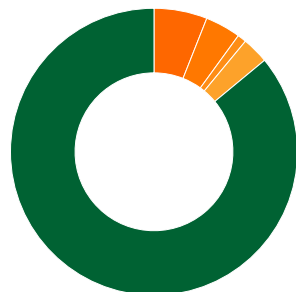
²Including 33.6p of dividends ³Monthly data (total return NAV)

Ruffer Investment Company Limited as at 28 April 2017

Portfolio structure



Asset allocation	%		%
● Non-UK index-linked	16	● Japan equities	16
● Long dated index-linked	12	● UK equities	9
● Index-linked gilts	11	● North America equities	7
● Cash	10	● Europe equities	3
● Gold and gold equities	4	● Asia ex-Japan equities	2
● Options	2	● Other	2
● Protective illiquid strategies	4	● Growth illiquid strategies	2



Currency allocation	%
● Sterling	86
● Yen	6
● Gold	4
● US dollar	1
● Other	3

5 largest of 13 bond holdings

Stock	% of fund	Stock	% of fund
1.875% Treasury index-linked 2022	6.5	T&D Holdings	2.6
0.375% Treasury index-linked 2062	6.1	Lloyds Banking Group	2.2
0.125% Treasury index-linked 2068	5.5	Mitsubishi UFJ Finance	1.5
US Treasury 0.625% TIPS 2021	4.5	Sumitomo Mitsui Financial Group	1.3
US Treasury 0.125% TIPS 2023	3.9	Oakley Capital	1.2

Source: Ruffer AIFM Limited

5 largest of 59 equity holdings*

Stock	% of fund
T&D Holdings	2.6
Lloyds Banking Group	2.2
Mitsubishi UFJ Finance	1.5
Sumitomo Mitsui Financial Group	1.3
Oakley Capital	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 £369.0m Market capitalisation £375.3m Shares in issue 160,713,416

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

* Audited at 30 June 2016

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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.



Duncan MacInnes

INVESTMENT MANAGER

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.



Ruffer

The Ruffer Group manages investments on a discretionary basis for private clients, trusts, charities and pension funds. As at 30 April 2017, assets managed by the group exceeded £21.1bn.