

# Ruffer Investment Company Limited

An alternative to alternative asset management



June 2018 Issue 157

During June, the net asset value of the Company declined by 0.3%. This compares with a decrease of 0.2% in the FTSE All-Share Total Return Index.

June saw the Company give back a little of the gains made earlier in this quarter as the recovery from the February sell-off in global equity markets stalled in the face of several, mainly political, headwinds. President Trump's continued sabre rattling, or worse, on trade tariffs has begun to cause genuine concern for investors. Meanwhile, within the EU, the seemingly insoluble issue of immigration is forcing open cracks between member states and threatening the cohesion of individual governments. As a result, global equity markets are struggling to make headway this year, with emerging markets feeling the worst of the pain and now some 20% below their January highs.

If June itself was somewhat lacklustre in equity markets, the same cannot be said for the second quarter as a whole. Looking through the admittedly narrow lens of the UK market, domestic equities have risen almost 10% in the last three months, recouping the losses from Q1 and turning on its head the consensus view, mirrored in global investor surveys, that the UK market was one to avoid. It is certainly true that in the two years since the Brexit vote, the country has fallen from the top of the league of developed nations in terms of economic growth to the relegation zone. When investing in equities, however, there is almost always a price for everything, and UK stocks had simply become too cheap.

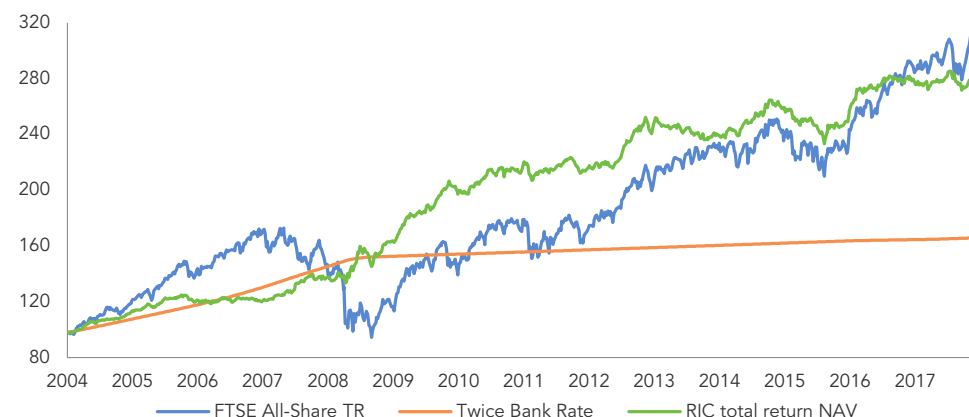
Recognising that for shares, price can always trump sentiment, we increased the fund's UK exposure and have reaped the benefits in the last quarter. Investments made in global businesses whose only sin was to be listed in the UK, but still attracted sizeable discounts to their overseas peers, have made double-digit returns. Meanwhile, even stocks more directly focused on the domestic economy, and worse still, consumer retail, can still deliver outside gains if the price is in your favour and management capable. Step forward the fund's largest holding, Tesco, up 25% and rather more unusually, Ocado, almost doubling in the quarter.

This is where our approach of always investing in a balance of 'fear' and 'greed' in the portfolio comes into its own. We are certainly cautious, if not downright fearful over the outlook for almost all financial assets and this is reflected in a preponderance of protection assets (fear) in the portfolio such as index-linked bonds, gold and options on volatility and interest rates. These stand guard against a future that we believe will be anything but rosy. However, no matter how nervous we are, we will always retain some greed (equities) in the portfolio, both to make time our friend while awaiting the next crisis and to take advantage of any opportunities that should come our way. This year the opportunity turned out to be hiding in plain sight, right under our noses here in the UK. Even now, with global investor surveys still overwhelmingly negative on the domestic market, there could be more to come.

## 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 %	June 2018	Year to date	1 year	3 years	5 years	10 years
Total return NAV	-0.3	-0.4	0.8	8.5	14.0	103.3
Share price TR <sup>1</sup>	-1.1	-1.3	-1.0	7.5	14.2	110.2

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

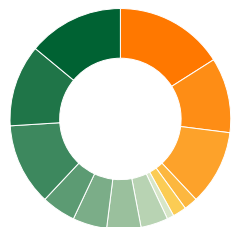
Percentage growth in total return NAV	%	As at 29 June 2018	p
30 Jun 2017 – 30 Jun 2018	0.8	<b>Share price</b>	<b>231.00</b>
30 Jun 2016 – 30 Jun 2017	8.8	<b>Net Asset Value (NAV) per share</b>	<b>228.97</b>
			%
30 Jun 2015 – 30 Jun 2016	-1.0	Premium/discount to NAV	0.9
30 Jun 2014 – 30 Jun 2015	7.9	NAV total return since inception <sup>2</sup>	185.7
		Standard deviation <sup>3</sup>	1.83
30 Jun 2013 – 30 Jun 2014	-2.6	Maximum drawdown <sup>3</sup>	-8.62

Source: Ruffer AIFM Limited, FTSE International (FTSE)<sup>†</sup>

<sup>2</sup>Including 35.4p of dividends <sup>3</sup>Monthly data (total return NAV)

# Ruffer Investment Company Limited as at 29 June 2018

## Asset allocation



## Asset allocation %

• Non-UK index-linked	14
• Long dated index-linked	12
• Cash	12
• Protective illiquid strategies	5
• Gold and gold equities	5
• Index-linked gilts	5
• Short-dated bonds	4
• Options	1
• Japan equities	16
• North America equities	11
• UK equities	11
• Europe equities	2
• Asia ex-Japan equities	2

## Currency allocation

• Sterling	70
• US dollar	18
• Yen	5
• Gold	5
• Other	2

## Currency allocation



## 10 largest of 52 equity holdings\*

Stock	% of fund
T&D Holdings	2.4
Sumitomo Mitsui Financial Group	2.0
Walt Disney	1.9
Vivendi SA	1.7
Tesco	1.7
Mitsubishi UFJ Finance	1.5
Mizuho Financial	1.4
Resona Holdings	1.4
Ocado Group	1.3
Japan Post Holdings	1.1

## 5 largest of 10 bond holdings

Stock	% of fund
0.375% Treasury index-linked 2062	5.6
0.125% Treasury index-linked 2068	5.2
US Treasury 0.625% TIPS 2021	4.0
1.875% Treasury index-linked 2022	3.9
UK Government 0% T-Bill 2018	3.7

\*Excludes holdings in pooled funds  
Source: Ruffer AIFM Limited

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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 £405.7m Market capitalisation £409.3m Shares in issue 177,188,416

## 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 2017

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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 LF Ruffer Total Return Fund.



### 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.



## Ruffer

The Ruffer Group manages investments on a discretionary basis for private clients, trusts, charities and pension funds. As at 30 June 2018, assets managed by the group exceeded £22.3bn.