

# Ruffer Investment Company Limited

An alternative to alternative asset management



November 2018 Issue 162

During November, the net asset value of the Company fell by 1.9%. This compares with a fall of 1.6% in the FTSE All-Share index.

This is a disappointing return, despite November's volatile markets. Global equities were significantly boosted by a relief rally in the closing days of the month, with the S&P 500 posting its best week in seven years to claw its way back into positive territory for the year to date. The fund, however, was largely bypassed by this late recovery, which focused on defensives and technology, rather than the cyclical and value stocks that feature in our portfolio. This was compounded by the sharp fall in the oil price, ending the month down 23%, its worst monthly showing in a decade. These recent shifts in equity markets do not chime with the still strong economic growth that we observe.

The proximate cause for the equity bounce was what is now being termed the 'Fed flinch'. US Federal Reserve Chairman Powell backed away from his October comments that interest rates were 'a long way from neutral' and instead decided in November that they were actually now 'just below neutral'. This provided the impetus for the rally in longer duration equities (defensives and technology). Cynics could well infer that interest rates are now being set by President Trump's Twitter account. However we would focus more on the risk of inflation if the Fed is seen as shying away from necessary, though painful interest rate rises.

2018 has turned into an annus horribilis for investors, with almost all major asset classes showing declines in dollar terms. To the end of November investors could have eked out a small gain in the S&P 500 or dollar cash, but almost anything else is down. Our own portfolio has not been immune and this led to considerable introspection of our world view and portfolio strategy. Importantly, we are convinced we are in the right place. Markets do not decline in a straight line but it is our impression we have likely seen the top for this market cycle, even if economies remain robust. We expect financial conditions to tighten further in 2019 thus, we have continued to reduce equities, selling some of our long held Japanese financials.

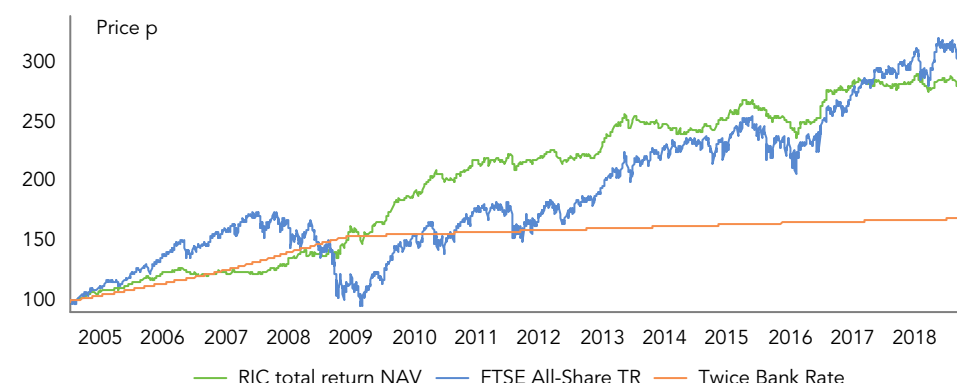
There will be noise around the trends, but protectionism and populism are here to stay. We added to portfolio protections this month, particularly long dated US TIPS. These are priced for around 2% or less inflation for the next 30 years. In a hugely indebted world with rising deficits, unfunded liabilities and electorates agitating for higher wages and government spending this seems the wrong price to us.

Despite the bruises from recent performance, we remain resolutely optimistic about the prospects for our unconventional protections, particularly those against credit markets which we see as highly distorted and likely to fall in dislocative fashion. These have been expensive to carry but when the flood arrives we hope they will keep you safe.

## 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 %	November 2018	Year to date	1 year	3 years	5 years	10 years
Total return NAV	-1.9	-4.6	-3.4	7.2	9.7	85.0
Share price TR <sup>1</sup>	-3.4	-5.1	-4.0	7.9	9.5	92.0

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

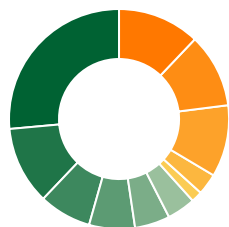
Percentage growth in total return NAV	%	As at 30 November 2018	p
30 Sep 2017 – 30 Sep 2018	1.5	Share price	221.50
30 Sep 2016 – 30 Sep 2017	1.6	Net Asset Value (NAV) per share	218.59
			%
30 Sep 2015 – 30 Sep 2016	10.0	Premium/discount to NAV	1.3
30 Sep 2014 – 30 Sep 2015	1.5	NAV total return since inception <sup>2</sup>	173.6
30 Sep 2013 – 30 Sep 2014	-0.6	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 30 Nov 2018

## Asset allocation



### Asset allocation %

● Non-UK index-linked	26.3
● Long-dated index-linked gilts	11.6
● Gold and gold equities	7.5
● Illiquid strategies and options	6.7
● Cash	5.4
● Index-linked gilts	4.2
● Japan equities	12.0
● UK equities	10.9
● North America equities	10.6
● Europe equities	3.0
● Asia ex-Japan equities	1.6

### Currency allocation %

● Sterling	72.0
● US dollar	12.0
● Yen	7.0
● Gold	7.0
● Other	2.0

## Currency allocation



## 10 largest of 56 equity holdings\*

Stock	% of fund
Walt Disney Company	2.3
Tesco	2.2
Vivendi	1.9
T&D	1.8
Resona	1.4
Mitsubishi UFJ Financial	1.3
ExxonMobil	1.3
Sumitomo Mitsui Financial Group	1.3
iShares Physical Gold	1.2
DowDuPont	1.1

## 5 largest of 17 bond holdings

Stock	% of fund
UK Treasury index-linked 0.375% 2062	5.4
UK Treasury index-linked 0.125% 2068	5.2
US Treasury 0.625% TIPS 2021	4.3
US Treasury 0.125% TIPS 2023	3.7
US Treasury 0.375% TIPS 2023	3.6

\*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 £395.2m Market capitalisation £400.4m 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 Friday 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. He is also co-manager of the Ruffer Investment Company.



### 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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## Ruffer LLP

The Ruffer Group manages investments on a discretionary basis for private clients, trusts, charities and pension funds. As at 31 October 2018, assets managed by the group exceeded £21.5bn.