

# Ruffer Investment Company Limited

An alternative to alternative asset management



June 2019 Issue 169

During June, the net asset value of the Company rose by 1.9%. This compares with a rise of 3.7% in the FTSE All-Share index.

Following January's handbrake turn on the path of interest rates by the US Federal Reserve, 2019 has so far been a profitable year for most investors, and the Company has benefited with NAV rising by 4.9% on a total return basis. Equities, bonds and credit have all appreciated in value, while hopes of lower US interest rates took the gold price up 8% in June in US dollar terms, reaching a five year high. And therein lies the rub. Global bond markets are signaling sharply decelerating economic activity, with \$13 trillion marking a new high level of negative-yielding government bonds, and also the need for immediate rate cuts, with a full 1% of easing over the next twelve months now priced into US rates. Equities meanwhile march blithely on, their raffish insouciance seemingly blind to the risk of profits coming under pressure as economic activity slows. It seems very hard for both these markets simultaneously to be right, and at Ruffer our tradition has always been to focus on the mousetrap rather than the cheese, hence our reluctance to raise the Company's equity exposure from its present level of around 39%.

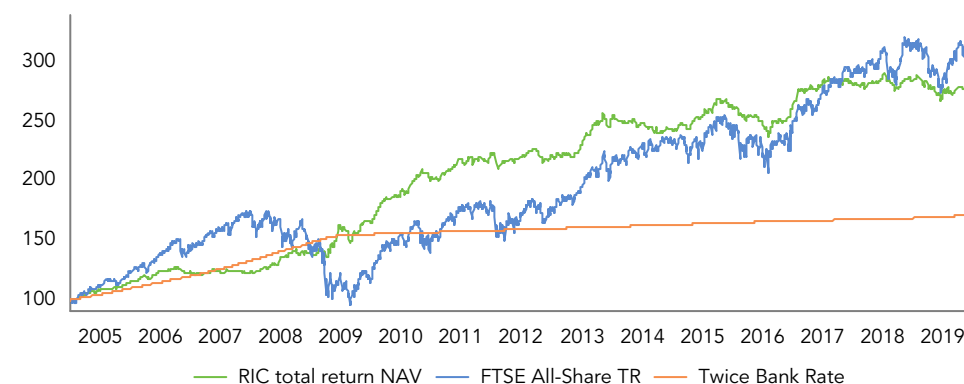
While in May equities were clearly spooked by the US-China trade spat, June's recovery owed something both to interest rate hopes and to heightened expectations that a trade deal might be struck at the G20 meeting in Osaka. A commitment emerged that talks should be resumed, but specifics and details were conspicuously light.

Unsurprisingly, the Company's credit protections suffered a small loss in June as optimism returned. We would, though, be very surprised if slower economic and profits growth did not bring about higher borrowing spreads and downgrades in corporate credit. Not only are 50% of outstanding investment grade corporate bonds rated BBB, if corporate credit were assessed on borrowing ratios alone 45% of the entire stock of investment grade bonds would be junk. Furthermore, benign borrowing data for the aggregate corporate sector disguises increasingly skewed distributions of profitability and debt. While at present investors seem happy to bid up credit on the basis of a benign interest rate outlook, investors seem equally content to ignore precisely why the interest rate profile has changed, viz slower growth. This investor myopia entirely convinces us of the need for the fund to carry protection against a deterioration in credit markets.

## 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 2019	Year to date	1 year	3 years	5 years	10 years
Total return NAV	1.9	5.0	-0.9	8.6	15.9	69.8
Share price TR <sup>1</sup>	2.3	4.4	-4.8	5.9	14.0	61.0

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

Percentage growth in total return NAV	%	As at 28 June 2019	p
30 Jun 2018 – 30 Jun 2019	-0.9	Share price	216.00
30 Jun 2017 – 30 Jun 2018	0.8	Net Asset Value (NAV) per share	224.98
30 Jun 2016 – 30 Jun 2017	8.8		%
30 Jun 2015 – 30 Jun 2016	-1.0	Premium/discount to NAV	-4.0
30 Jun 2014 – 30 Jun 2015	7.9	NAV total return since inception <sup>2</sup>	182.8
		Standard deviation <sup>3</sup>	1.83
		Maximum drawdown <sup>3</sup>	-8.62

Source: Ruffer LLP, FTSE International (FTSE) †

<sup>2</sup>Including 37.2p of dividends <sup>3</sup>Monthly data (total return NAV)

# Ruffer Investment Company Limited as at 28 Jun 2019

## Asset allocation



### Asset allocation %

Long-dated index-linked gilts	13.6
Short-dated bonds	12.4
Non-UK index-linked	12.4
Illiquid strategies and options	8.5
Gold and gold equities	7.7
Cash	4.0
Index-linked gilts	0.6

## Currency allocation



### Currency allocation %

Sterling	74.0
Yen	8.4
Gold	7.7
US dollar	5.7
Euro	3.2
Other	1.0

## 10 largest of 54 equity holdings\*

Stock	% of fund
Walt Disney Company	3.0
Tesco	2.3
Vivendi	2.0
Sony	1.4
ExxonMobil	1.3
ArcelorMittal	1.3
Ocado	1.2
Bandai Namco	1.2
General Motors	1.2
Celgene Corporation	1.2

## 5 largest of 16 bond holdings

Stock	% of fund
UK Treasury index-linked 0.125% 2068	6.9
UK Treasury index-linked 0.375% 2062	6.1
US Treasury 0.625% TIPS 2021	4.3
US Treasury 1.75% TIPS 2019	3.0
US Treasury 2.0% TIPS 2020	2.9

\*Excludes holdings in pooled funds  
Source: Ruffer LLP.  
Pie chart totals may not equal 100 due to rounding.

NAV £406.7m Market capitalisation £390.5m 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	Praxis Fund Services 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

† © FTSE 2019. 'FTSE®' is a trade mark of London Stock Exchange Group companies and is used by FTSE under licence. All rights in the FTSE Data vest in FTSE and/or its licensors. Neither FTSE nor its licensors accept any liability in relation to the FTSE Data data. No further distribution of FTSE Data is permitted without FTSE's express written consent.

## 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.



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

## Enquiries

Ruffer AIFM Ltd +44 (0)20 7963 8254  
80 Victoria Street [rif@ruffer.co.uk](mailto:rif@ruffer.co.uk)  
London SW1E 5JL [www.ruffer.co.uk](http://www.ruffer.co.uk)

## Ruffer LLP

The Ruffer Group manages investments on a discretionary basis for private clients, trusts, charities and pension funds. As at 31 May 2019, assets managed by the group exceeded £20.6bn.