Ruffer Investment Company Limited

An alternative to alternative asset management

During March, the net asset value of the Company fell by 1.1% after allowing for the payment of an interim dividend of 0.9p per share. This compares with a fall of 1.8% in the FTSE All-Share Index.

The main news flow during the month related to good old-fashioned geopolitical tensions. Although diplomatic relations between the West and Russia had little impact on markets, the risk of President Trump's tariff chatter becoming a reality did have a meaningful impact as the possibility of trade wars became more likely. Technology stocks also suffered, led by Facebook as the company came under scrutiny for the (mis)use of customer data.

Perhaps the most significant feature of financial markets in both February and March has been the scarcity of hiding places. Traditional safe-havens, which usually rise in value during times of equity market stress, failed to perform. In sterling terms, gold, gilts, treasuries, the dollar and the Swiss franc have all fallen in value since the start of the year. For most of the last quarter of a century (the career span of most fund managers) simply holding a portfolio of equities and bonds has worked well (with a couple of notable exceptions). The promise of central bank support has encouraged and sustained rises in asset prices, whilst at times of distress, negative bond-equity correlation ensured a diversified portfolio of equities and bonds held up reasonably well. More recently however, zero (and negative) interest rates have suppressed yields whilst also driving up equity values. This has resulted in a significant increase in the correlation between equities and bonds, which has substantially reduced the effectiveness of traditional offsetting assets. For this reason, we have stressed the importance of some of the more esoteric parts of the portfolio, principally the option exposure and credit default swaps held via our illiquid vehicle. This is a small part of the total but it is potent. We think that recent correlation is here to stay and, if we are right, then these unconventional protections will have an important role to play. The question then is why, in a month when the market has fallen, have we also posted a negative return (albeit with the blow slightly cushioned)? The answer: our option exposure is positioned to protect from large market moves not bumps in the road. The latter would likely result in a zero-sum game or worse, and we prefer to focus on what we fear will be the significant inflection points.

Where do we go from here? The bulls will view the 7% fall in global equities in the last ten weeks as a bump in the road. The bears fall into two camps. On the one hand, this is the late stage of the economic cycle and recent growth will tail off leaving valuations looking unjustifiably high. On the other, the combination of recent fiscal stimulus on top of an overheating US economy will lead to a spike in inflation and bond yields, undermining the argument that high valuations in equities can be justified by interminably low interest rates. On balance, we would fall into the latter camp, yet remain cognisant of the fact that economic growth could remain robust. In this case, we want our equities to benefit and hence the bias towards cyclical stocks. In the very short-term, the summary of Nick Carn of Carn Macro Advisors seems apt: markets will continue to behave in a way that disappoints the bulls and frustrates the bears. After February's sell-off (on seemingly good economic news), we should all be careful what we wish for.

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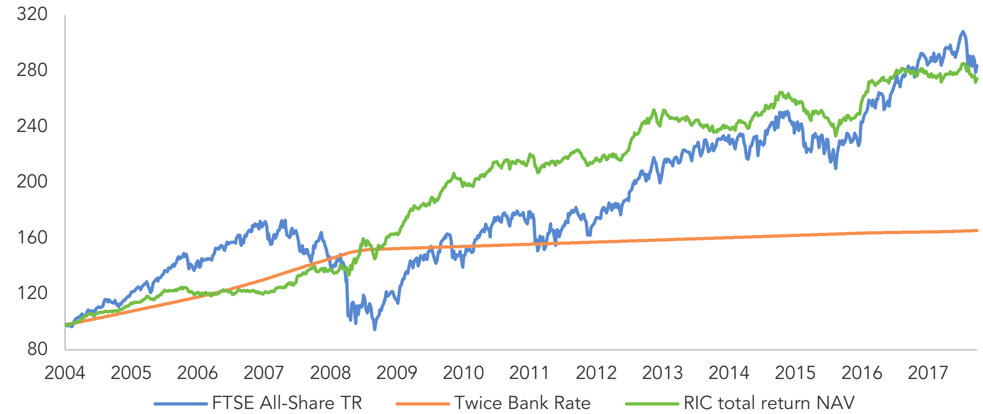
March 2018 Issue 154

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 %	March 2018	Year to date	1 year	3 years	5 years	10 years
Total return NAV	-1.1	-2.5	-1.4	5.8	12.5	96.9
Share price TR[1]	-0.6	-2.4	-2.6	6.5	11.2	109.8

[1]Assumes re-investment of dividends

Percentage growth in total return NAV	%
31 Mar 2017 – 31 Mar 2018	-1.4
31 Mar 2016 – 31 Mar 2017	12.8
31 Mar 2015 – 31 Mar 2016	-4.9
31 Mar 2014 – 31 Mar 2015	8.6
31 Mar 2013 – 31 Mar 2014	-2.1

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

As at 29 March 2018	p
Share price	**229.00**
Net Asset Value (NAV) per share	**224.27**
	%
Premium/discount to NAV	2.1
NAV total return since inception[2]	274.26
Standard deviation[3]	1.86
Maximum drawdown[3]	-8.61

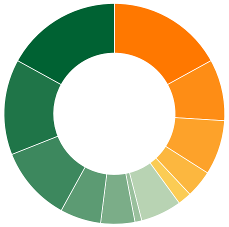
[2]Including 35.4p of dividends [3]Monthly data (total return NAV)

Ruffer performance is shown after deduction of all fees and management charges, and on the basis of income being reinvested. Past performance is not a guide to future performance. The value of the shares and the income from them can go down as well as up and you may not get back the full amount originally invested. The value of overseas investments will be influenced by the rate of exchange.

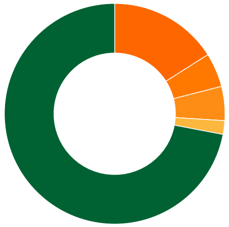
Ruffer Investment Company Limited as at 29 March 2018

NAV £392.4m Market capitalisation £400.7m Shares in issue 174,988,416

Asset allocation



Currency allocation



Asset allocation	%
Cash	17
Non-UK index-linked	14
Long dated index-linked	11
Index-linked gilts	6
Gold and gold equities	5
Options	1
Protective illiquid strategies	6
Japan equities	17
UK equities	9
North America equities	8
Asia ex-Japan equities	4
Europe equities	2

Currency allocation	%
Sterling	72
US dollar	16
Yen	5
Gold	5
Other	2

10 largest of 50 equity holdings*

Stock	% of fund
T&D Holdings	2.4
Sumitomo Mitsui Financial Group	2.1
Mizuho Financial	1.8
Vivendi SA	1.8
Mitsubishi UFJ Finance	1.7
Walt Disney	1.6
Tesco plc	1.4
Resona Holdings	1.4
Japan Post Holdings	1.2
Tenaris	1.0

5 largest of 9 bond holdings

Stock	% of fund
0.375 Treasury index-linked 2062	5.8
0.125 Treasury index-linked 2068	5.2
1.875 Treasury index-linked 2022	4.0
US Treasury 0.625 TIPS 2021	3.9
US Treasury 0.125 TIPS 2023	3.4

*Excludes holdings in pooled funds
Source: Ruffer AIFM Limited

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.

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.

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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.

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Ruffer

The Ruffer Group manages investments on a discretionary basis for private clients, trusts, charities and pension funds. As at 31 March 2018, assets managed by the group exceeded £22.0bn.