

# Ruffer Investment Company Limited

An alternative to alternative asset management



May 2018 Issue 156

During May, the net asset value of the Company rose by 1.3%. This compares with a rise of 2.8% in the FTSE All-Share index.

The two largest drivers of returns in May were UK equities and oil-related stocks. We have previously discussed the prospect that UK equities, both domestic and international businesses, presented opportunities as global investors have given them a wide berth. The combination of improving (or not deteriorating) UK economic data and the Bank of England not opting to raise interest rates helped during the month. Positions in Royal Dutch Shell, some oil services companies and Exxon, where we have recently increased exposure, benefitted from rising oil prices. Elsewhere, Ocado (0.7% of the fund at the beginning of the month) signed a transformational deal with US grocer Kroger, which resulted in a rise of 67% in the share price.

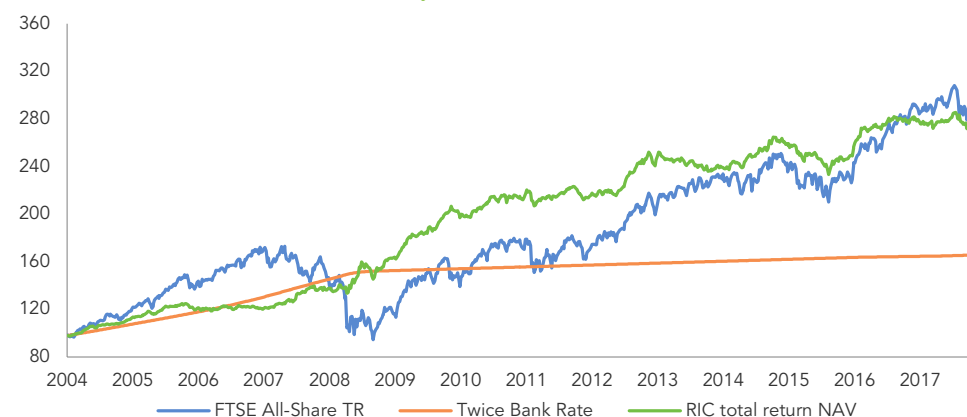
Global equity markets have continued to recover their poise, aside from a brief wobble as the Italian president threatened to set off a constitutional crisis. The combination of benign economic conditions, improving corporate earnings and the presumption that policy makers remain on standby to support asset markets has seen global equities bounce back. Whilst February's sharp fall in equity markets appeared to come out of blue skies, and contagion did not spread to most other asset classes, developed market equities currently appear to be ignoring clouds forming on the horizon. Rising oil prices, higher bond yields, a resurgent US dollar and sclerotic politics have started to impact broader markets even if equities have shown few signs of stress. During May, both Turkey and Argentina had to raise interest rates sharply to prevent a run on their currencies. Talk of trade wars between the US and China and signs of increased funding stress in US money markets are further signs that all is not well. Whilst we offer no insight into the machinations of Italian politics it is difficult not to draw attention to Paolo Savona, the staunch Euro-sceptic who was deemed unsuitable to be Finance Minister but well suited to the role of Minister of European Affairs. As these events unfolded, Italian bonds lost 6.7% in capital terms; quite stark for what had hitherto been presumed to be close to risk-free thanks to European Central Bank (ECB) support. Intriguingly, the populists now in power have mooted the possibility of a *de facto* parallel currency (so-called 'mini-BoTs') being used alongside the euro as a back door way of stimulating the Italian economy without increasing national debt. The bearer notes would be euro denominated and therefore abide by the ECB's rules and would be linked to future tax receipts. The idea has been tried before in Argentina, California and was famously put forward by the Greek government in 2015. However, those schemes did not use bearer securities, which are harder to regulate and tax than electronic payment methods. This has set the proverbial cat among the pigeons at the ECB, as such extreme bending of the rules carries clear inflationary risks and poses a threat to the very concept of the single currency.

Overall, the calm markets of 2017, which saw both bond and stock prices drift gently upwards on a monthly basis, seem firmly behind us. The prospect of rising geopolitical risks and central bankers showing determination to introduce more volatility into financial markets make for dangerous times ahead.

## 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 %	May 2018	Year to date	1 year	3 years	5 years	10 years
Total return NAV	1.3	-0.2	0.5	6.4	13.2	106.4
Share price TR <sup>1</sup>	2.2	-0.2	-0.6	8.7	11.4	111.9

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

Percentage growth in total return NAV	%	As at 31 May 2018	p
31 Mar 2017 – 31 Mar 2018	-1.4	<b>Share price</b>	<b>234.00</b>
31 Mar 2016 – 31 Mar 2017	12.8	<b>Net Asset Value (NAV) per share</b>	<b>229.61</b>
31 Mar 2015 – 31 Mar 2016	-4.9		%
31 Mar 2014 – 31 Mar 2015	8.6	Premium/discount to NAV	1.9
31 Mar 2013 – 31 Mar 2014	-2.1	NAV total return since inception <sup>2</sup>	186.5
		Standard deviation <sup>3</sup>	1.85
		Maximum drawdown <sup>3</sup>	-8.61

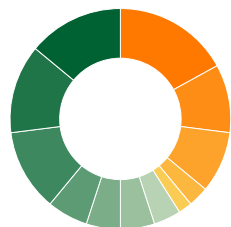
Source: Ruffer AIFM Limited, FTSE International (FTSE)<sup>†</sup>

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

Ruffer 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 31 May 2018

## Asset allocation



Asset allocation	%
● Non-UK index-linked	14
● Cash	13
● Long dated index-linked	12
● Index-linked gilts	6
● Protective illiquid strategies	5
● Gold and gold equities	5
● Short-dated bonds	4
● Japan equities	17
● UK equities	10
● North America equities	9
● Asia ex-Japan equities	3
● Europe equities	2

Currency allocation	%
● Sterling	73
● US dollar	16
● Gold	5
● Yen	4
● Other	2

## Currency allocation



## 10 largest of 53 equity holdings\*

Stock	% of fund
T&D Holdings	2.5
Sumitomo Mitsui Financial Group	2.1
Vivendi SA	1.7
Walt Disney Corp	1.7
Tesco plc	1.6
Mitsubishi UFJ Finance	1.6
Resona Holdings	1.5
Mizuho Financial	1.5
Ocado Group	1.1
Japan Post Holdings	1.1

## 5 largest of 8 bond holdings

Stock	% of fund
0.375% Treasury index-linked 2062	5.7
0.125% Treasury index-linked 2068	5.3
US Treasury 0.625% TIPS 2021	4.0
1.875% Treasury index-linked 2022	3.9
US Treasury 0.125% TIPS 2023	3.4

\*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 £402.0m Market capitalisation £409.7m Shares in issue 175,088,416

## 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 31 May 2018, assets managed by the group exceeded £22.4bn.