

# Ruffer Investment Company Limited

An alternative to alternative asset management



February 2019 Issue 165

During February, the net asset value of the Company fell by 2%. This compares with a rise of 2.3% in the FTSE All-Share index.

We are currently positioned to try to capture some of the bounce in markets, but we have not compromised on protection in order to achieve this. In January this was reasonably effective (+3%) but in February protective assets have been a drag on performance.

Following meetings with a large number of shareholders during February we thought it would be helpful to share our answers to some common questions.

Given your cautious outlook, why do you hold high-beta cyclical businesses? We currently have a low weighting to equities (38%). Their role is to make us money if we are wrong (or early) in having a cautious outlook and they need to punch hard to offset the cost of protective assets. A sustained rally in markets (not our core thesis) will be driven by supportive monetary policy or a stronger-for-longer economy – an environment where cyclical businesses will benefit most. This scenario is also likely to see an initial period of rising real interest rates, which would hurt index-linked bonds.

You have been concerned about credit markets – how will you benefit from that insight and why does it matter if I don't hold corporate bonds? We have exposure to credit default swaps, which will rise in value as credit spreads widen (ie investors price greater risk into corporate bonds). The root of our concern lies in the rising tide of low interest rates and abundant liquidity over the last decade. This has led to a bonanza in corporate debt issuance as savers reached for yield. This tide is now receding. Many corporate bonds are illiquid and are held in vehicles promising daily or weekly liquidity; not a problem when flows are positive but deeply problematic when they reverse. A blow-up in corporate credit has wider implications – rising corporate borrowing costs will affect equity prices and the illiquidity of corporate bonds means that investors will turn to more liquid markets (equities) to de-risk if they cannot sell corporate bonds.

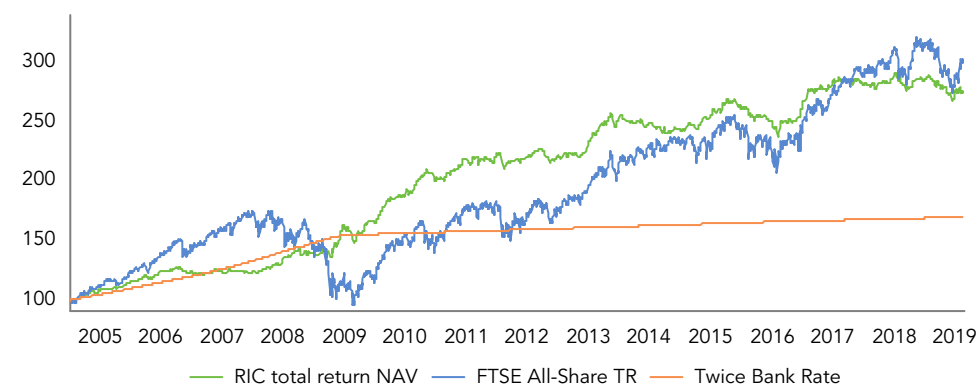
Why have you reduced exposure to Japanese equities? We reduced overall equity exposure last year and felt that this should include Japan. The sales were focused on financial stocks as the biting point for global rates appears now to be lower than previously anticipated. However, the domestic story around Abenomics remains compelling. Corporate governance reforms and ROE targets are working. The most tangible impact has been rising dividends and share buybacks seen across our holdings. We expect this to continue as Japanese companies still hold too much cash on their balance sheets.

How has gold exposure changed in the last year? We increased exposure to bullion in July and then in September partially switched into gold miners. Both of these changes had a positive impact as the initial rise in the gold price was followed by a period of M&A in the sector.

## 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 %	February 2019	Year to date	1 year	3 years	5 years	10 years
Total return NAV	-2.0	1.3	-3.4	11.1	11.3	80.9
Share price TR <sup>1</sup>	-1.9	0.6	-7.8	8.9	5.5	65.6

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

Percentage growth in total return NAV	%	As at 28 February 2019	p
31 Dec 2017 – 31 Dec 2018	-6.0	Share price	209.00
31 Dec 2016 – 31 Dec 2017	1.6	Net Asset Value (NAV) per share	217.24
			%
31 Dec 2015 – 31 Dec 2016	12.4	Premium/discount to NAV	-3.8
31 Dec 2014 – 31 Dec 2015	-1.0	NAV total return since inception <sup>2</sup>	173.0
31 Dec 2013 – 31 Dec 2014	1.8	Standard deviation <sup>3</sup>	1.85
		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 28 Feb 2019

## Asset allocation



### Asset allocation %

● Non-UK index-linked	28.0
● Long-dated index-linked gilts	12.3
● Gold and gold equities	7.5
● Illiquid strategies and options	7.3
● Cash	6.2
● Index-linked gilts	0.8
● North America equities	11.1
● UK equities	10.7
● Japan equities	10.4
● Europe equities	4.1
● Asia ex-Japan equities	1.6

### Currency allocation %

● Sterling	77.6
● Gold	7.5
● Yen	5.3
● US dollar	5.0
● Euro	3.5
● Other	1.0

## Currency allocation



## 10 largest of 53 equity holdings\*

Stock	% of fund
Tesco	2.3
Walt Disney Company	2.2
Vivendi	2.1
ExxonMobil	1.4
Mitsubishi UFJ Financial	1.2
Ocado	1.2
Sumitomo Mitsui Financial Group	1.1
Bandai Namco	1.1
ArcelorMittal	1.0
DowDuPont	0.9

## 5 largest of 15 bond holdings

Stock	% of fund
UK Treasury index-linked 0.125% 2068	5.7
UK Treasury index-linked 0.375% 2062	5.6
US Treasury 0.375% TIPS 2023	5.5
US Treasury 0.625% TIPS 2024	5.3
US Treasury 0.125% TIPS 2023	4.9

\*Excludes holdings in pooled funds

Source: Ruffer LLP.

Pie chart totals may not equal 100 due to rounding.

NAV £394.4m Market capitalisation £377.8m 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	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.



### 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.



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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).

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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 January 2019, assets managed by the group exceeded £21.1bn.