

Ruffer Investment Company Limited

An alternative to alternative asset management



May 2019 Issue 168

During May, the net asset value of the Company fell by 0.8%. This compares with a decline of 3.0% in the FTSE All-Share index.

After four months of a strong recovery, the month of May fulfilled its seasonal tradition as equity markets declined across the globe. There was no shortage of reasons for investors to take fright: escalating trade tensions with China, presidential tweets on Iran and Mexico, potential anti-trust probes into tech stocks and a resolutely backward sloping yield curve that may or may not foretell a recession to name just a few. So the main global markets fell about 6% with emerging markets faring somewhat worse.

Meanwhile in the UK, if anything sentiment declined even further in May. European elections, unplanned and unwanted, saw support for the main political parties eviscerated as voters plumped for either the Brexit Party or those supporting a second referendum in almost equal numbers. This merely confirmed that the country remains entirely divided on the issue. Prime Minister May's resignation hardly helped, with sterling falling as her potential successors compete to see who can shout loudest for a hard exit. Meanwhile, the spectre of a general election has loomed back into view, bringing with it fears of a Corbyn government and what that might mean for domestic investors and business.

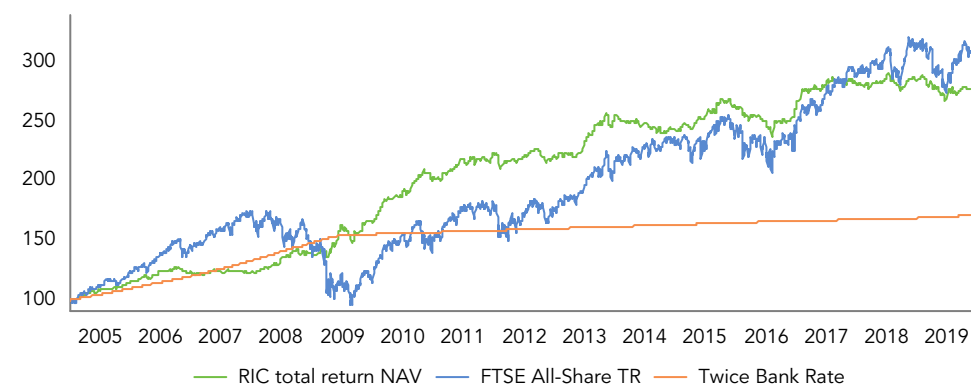
Unsurprisingly, it was 'fear' assets that fared best in the month. Falling bond yields boosted our index-linked bonds, with positive contributions also coming from our credit protection and gold. Among our equities, trimmed back to about 37% earlier in the month, oil and industrials were hit hardest, giving back some of the previous quarter's gains.

All in all a veritable litany of woes to support the old adage of 'sell in May and go away' despite the ever present supporting chorus of the US Federal Reserve behind asset prices. However our concern remains that the problems go rather deeper than just domestic politics and presidential tweets. 'Free money' (near zero interest rates) and ever increasing debts have distorted markets. Like some 21st century fairy tale, the proportion of US IPOs for loss-making companies has now exceeded the record set in the tech bubble. When debt and money have no cost, capital misallocation always ensues, and if the punchbowl is not removed, inflation follows. Increasingly we see shades of 1999-2000 in stock markets, not just in 'Unicorn' IPOs but also in the matching record levels of abhorrence of value compared to profitless growth. Meanwhile global politics isn't changing – it has changed, we just haven't seen the results yet. Against all this our index-linked bonds, gold and credit protections stand guard. Are we too gloomy? Perhaps, and our equities are an insurance against this. But our role is to hold positions on the contrary side of manias – the assets that investors panic into when bubbles burst – and this increasingly looks and feels like a bubble to us.

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 2019	Year to date	1 year	3 years	5 years	10 years
Total return NAV	-0.8	3.0	-3.1	10.3	13.3	67.3
Share price TR ¹	-0.5	2.1	-8.0	6.2	9.4	64.3

¹Assumes re-investment of dividends

Percentage growth in total return NAV	%	As at 31 May 2019	p
31 Mar 2018 – 31 Mar 2019	-0.6	Share price	211.00
31 Mar 2017 – 31 Mar 2018	-1.4	Net Asset Value (NAV) per share	220.79
31 Mar 2016 – 31 Mar 2017	12.8		%
31 Mar 2015 – 31 Mar 2016	-4.9	Premium/discount to NAV	-4.4
31 Mar 2014 – 31 Mar 2015	8.6	NAV total return since inception ²	177.5
		Standard deviation ³	1.83
		Maximum drawdown ³	-8.62

Source: Ruffer LLP, FTSE International (FTSE) †

²Including 37.2p of dividends ³Monthly data (total return NAV)

Ruffer Investment Company Limited as at 31 May 2019

Asset allocation



Asset allocation

	%
Long-dated index-linked gilts	14.4
Short-dated bonds	12.7
Non-UK index-linked	12.7
Illiquid strategies and options	9.1
Gold and gold equities	6.5
Cash	5.4
Index-linked gilts	0.6

North America equities	12.5
Japan equities	10.7
UK equities	10.3
Europe equities	3.6
Asia ex-Japan equities	1.6

Currency allocation

	%
Sterling	75.7
Yen	8.8
Gold	6.4
US dollar	5.2
Euro	3.1
Other	1.0

Currency allocation



10 largest of 51 equity holdings*

Stock	% of fund
Walt Disney Company	2.9
Tesco	2.3
Vivendi	2.0
Sony	1.3
Ocado	1.3
Bandai Namco	1.3
ExxonMobil	1.3
Sumitomo Mitsui Financial Group	1.2
Cigna Corporation	1.1
Mitsubishi UFJ Financial	1.1

5 largest of 16 bond holdings

Stock	% of fund
UK Treasury index-linked 0.125% 2068	7.3
UK Treasury index-linked 0.375% 2062	6.5
US Treasury 0.625% TIPS 2021	4.4
US Treasury 1.75% TIPS 2019	3.1
US Treasury 2.0% TIPS 2020	3.0

*Excludes holdings in pooled funds

Source: Ruffer LLP.
Pie chart totals may not equal 100 due to rounding.

NAV £399.2m Market capitalisation £381.5m 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

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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.

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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 30 April 2019, assets managed by the group exceeded £20.9bn.