Ruffer Investment Company Limited

An alternative to alternative asset management

July 2019 **Issue 170**

During July, the net asset value of the Company rose by 2.3%. This compares with a rise of 2.0% in the FTSE All-Share index.

For the last two months, we have witnessed a rising tide that has floated (almost) all boats. Index-linked bonds, equities and gold all rose in value. Credit protection and options acted as a small drag on returns reassuring us that this part of the portfolio will perform (as it did at moments in 2018) if the tide turns.

In this topsy-turvy world, it was deteriorating news on the economy that resulted in the latest leg-up in asset prices. If that sounds perverse, then that is because it is perverse. Recession fears have put pressure on the US Federal Reserve and the European Central Bank to cut interest rates and restart stimulus programs. As well as pushing up most asset prices this has also resulted in a record number of bonds trading at negative yields ($14tn and counting). Investors and savers now have to pay the borrower for the privilege of lending money. Welcome to the world of NIRP (negative interest rate policy).

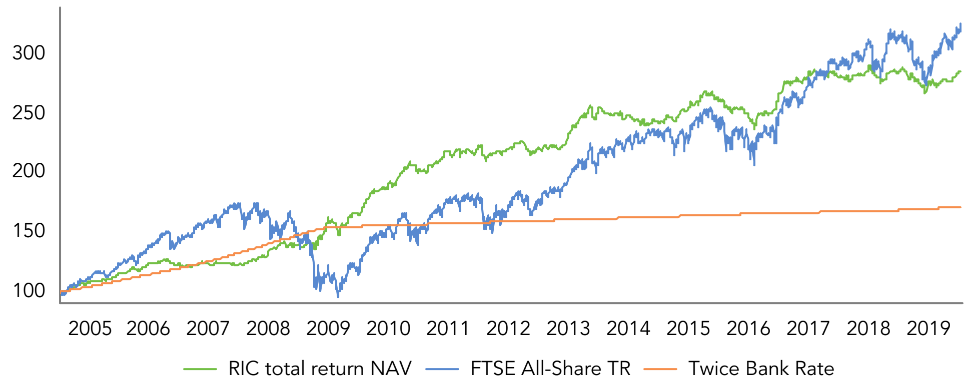
How do we rationalise this? The fear that stalks central banks is low and persistent deflation – when interest rates reach the zero bound it becomes harder for central banks to stimulate the economy because their main tool (control of nominal interest rates) loses its potency. Their options are either to push harder on the accelerator of what were once considered unconventional measures (think quantitative easing et al) in order to push down real interest rates or turn to politicians for some form of fiscal stimulus. We are currently seeing the former in action.

So how do we guide our shareholders through this upside-down world? Firstly we must keep our eyes firmly on the horizon. The most dangerous words in the investment world are 'this time it's different' – it rarely is, but of course it can be until it isn't! These things can go on longer than seems logical, but can also unwind quickly and the herding in markets at present makes this highly likely. How could this unravel? Central banks may overshoot and be forced to tighten as inflationary pressures pick up (much like late 2017 and early 2018). Alternatively there could be an exogenous shock to markets (no shortage of candidates there – trade, Middle East tensions, Brexit) while fundamentals remain weak. The latter is the more proximate risk because markets may jump to the conclusion that while central banks can pump up asset prices in the short term they are impotent when it comes to reviving the economy. What instruments do you want to hold for this sea change? Credit protection (held through credit default swaps for us) have a role to play, as do the real assets of index-linked bonds and gold in case central banks overshoot. If the party continues then equities will drive our returns. This formula has worked reasonably well this year as we have made a mid-single digit positive return so far with plenty of protection in place, but there will be tougher 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 %	July 2019	Year to date	1 year	3 years	5 years	10 years
Total return NAV	2.3	7.4	0.4	7.0	18.6	68.7
Share price TR[1]	2.9	7.4	-3.0	7.5	17.1	62.6

[1]Assumes re-investment of dividends

Percentage growth in total return NAV	%
30 Jun 2018 – 30 Jun 2019	-0.9
30 Jun 2017 – 30 Jun 2018	0.8
30 Jun 2016 – 30 Jun 2017	8.8
30 Jun 2015 – 30 Jun 2016	-1.0
30 Jun 2014 – 30 Jun 2015	7.9

Source: Ruffer LLP, FTSE International (FTSE) †

As at 31 July 2019	p
Share price	**222.50**
Net Asset Value (NAV) per share	**230.18**
	%
Premium/discount to NAV	-3.3
NAV total return since inception[2]	189.3
Standard deviation[3]	1.83
Maximum drawdown[3]	-8.62

[2]Including 37.2p 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 31 Jul 2019

NAV £416.1m Market capitalisation £402.3m Shares in issue 180,788,420

Asset allocation

Currency allocation

Asset allocation	%
Long-dated index-linked gilts	13.9
Short-dated bonds	12.6
Non-UK index-linked	12.6
Gold and gold equities	8.2
Illiquid strategies and options	7.9
Cash	3.2
Index-linked gilts	0.6
North America equities	14.5
Japan equities	10.8
UK equities	10.3
Europe equities	4.0
Asia ex-Japan equities	1.3

Currency allocation	%
Sterling	75.4
Yen	8.2
Gold	8.2
US dollar	3.8
Euro	3.1
Other	1.3

10 largest of 53 equity holdings*

Stock	% of fund
Walt Disney Company	3.1
Tesco	2.1
Vivendi	1.9
Sony	1.6
ExxonMobil	1.3
Celgene Corporation	1.3
Ocado	1.3
Bandai Namco	1.2
Sumitomo Mitsui Financial Group	1.2
ArcelorMittal	1.2

5 largest of 16 bond holdings

Stock	% of fund
UK Treasury index-linked 0.125% 2068	7.0
UK Treasury index-linked 0.375% 2062	6.3
US Treasury 0.625% TIPS 2021	4.3
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.

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

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.

Enquiries

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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 June 2019, assets managed by the group exceeded £20.7bn.