

# Ruffer Investment Company Limited

An alternative to alternative asset management



July 2015 Issue 122

The net asset value as at 31 July was 218.65p, fractionally down on the month. The FTSE All-Share total return index rose by 2.4% over the same period.

Although confusion reigned at the start of the month, as Greece lurched from rebellious referendum to apparent acquiescence, by the end of July it was yesterday's news and markets had moved on, even if no one seems quite sure who has agreed to what. Greece has not only revealed underlying fault lines in the euro construct, but also highlights the unattractiveness of two of Reinhart and Sbrancia's\* five potential means of reducing a debt burden; namely austerity or restructuring/default. This just leaves the options of (i) real growth, (ii) inflation or (iii) prolonged financial repression as realistic routes out of the mire of global debt. According to the BIS, global debt is now some \$200 trillion, up from \$142 trillion in 2007, and now 286% of global GDP compared to 269% in 2007. Investors can make their own minds up as to which route is most likely, but we feel it is prudent to protect both against inflation and financial repression through index-linked bonds, as well as having some exposure to the possibility that we might grow out of our debt problems (equities).

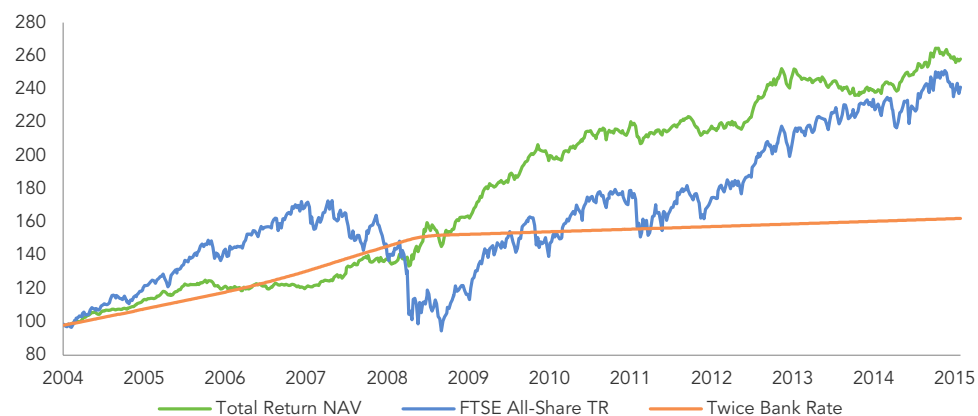
Back in the here and now, China and commodities have quickly stepped up to the plate as the focus of investor concern. July saw extreme volatility in the local Chinese stock markets, with indices trading in a 28% range as the authorities attempted to command an orderly deleveraging. Meanwhile, the sharp fall in commodity prices, which, unlike Chinese equities, have no cushion of a recent boom against which to set current losses, inflicted further pain on the economies, companies and investors exposed to this area. The oil price fell about 20% and copper and soft commodities by 10%, moves which call into question the underlying strength of global demand, and by extension, the prospect of option (i) above (real growth) playing a leading role in any long term debt reduction. July's sell off in the commodity complex also extended to gold bullion, down 6% in the month. Longer term gold may still play a protective role in the portfolio, especially if the US comes to tire of dollar strength, but for the moment it has few friends. With our long-dated index-linked bonds cast to play the lead role in any inflationary solution to the debt burden (options (ii) and (iii) above) our gold exposure has been reduced to below 3% of the portfolio, though we retain some upside optionality in the form of gold mining stocks.

Overall this month, markets recovered some poise, as the latest Greek crisis was deemed to have passed and commodity falls, of course, can be viewed either as warnings on future growth or as a boost to consumers' spending power. This leaves investors free once again to fret over the likely path of US and UK interest rates and the degree to which equity and bond markets are prepared for any rise, however small or well signalled. This looks set to be the topic du jour for the rest of this year, although we suspect that history will view it as mere background noise in the story of our indebted times. Against this backdrop we finished the month with the highest exposure (79%) to our base currency, sterling, for many years.

## 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 2015	Year to date	1 year	3 years	5 years	10 years
Total return NAV	-0.1	3.7	7.8	19.2	30.4	126.2
Share price TR <sup>1</sup>	-0.1	3.8	11.1	18.1	25.2	127.7

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

Percentage growth in total return NAV	%	As at 31 July 2015	p
30 Jun 2014 – 30 Jun 2015	7.9	Share price	222.63
30 Jun 2013 – 30 Jun 2014	-2.6	Net Asset Value (NAV) per share	218.65
30 Jun 2012 – 30 Jun 2013	13.8		%
30 Jun 2011 – 30 Jun 2012	-0.3	Premium/discount to NAV	1.8
30 Jun 2010 – 30 Jun 2011	8.8	NAV total return since inception <sup>2</sup>	163.2
		Standard deviation <sup>3</sup>	1.89
		Maximum drawdown <sup>3</sup>	-7.36

Source: Ruffer AIFM Limited

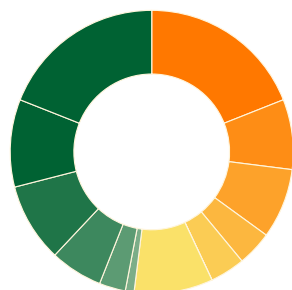
<sup>2</sup>Including 27.6p of dividends <sup>3</sup>Monthly data (total return NAV)

\*Reinhart and Sbrancia, 'The Liquidation of Government Debt', National Bureau of Economic Research, 2011

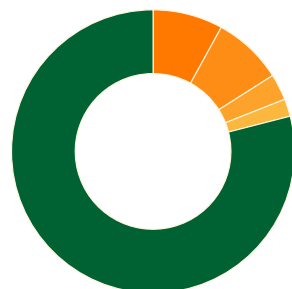
Ruffer performance is shown after deduction of all fees and management charges, and on the basis of income being reinvested. Past performance is not a guide to future performance. The value of the shares and the income from them can go down as well as up and you may not get back the full amount originally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

# Ruffer Investment Company Limited as at 31 July 2015

## Portfolio structure



Asset allocation	%		%
● Non-UK index-linked	19	● Japan equities	19
● Long dated index-linked	10	● UK equities	8
● Index-linked gilts	9	● North America equities	8
● Cash	6	● Asia ex-Japan equities	4
● Gold and gold equities	3	● Europe equities	4
● Options	1	● Illiquid strategies	9



Currency allocation	%
● Sterling	79
● US dollar	8
● Yen	8
● Gold	3
● Other	2

## 5 largest of 11 bond holdings

Stock	% of fund	Stock	% of fund
1.875% Treasury index-linked 2022	6.2	T&D Holdings	2.5
1.25% Treasury index-linked 2055	5.9	Mizuho Financial	2.4
0.375% Treasury index-linked 2062	4.6	Mitsubishi UFJ Finance	2.3
US Treasury 0.625% TIPS 2043	4.0	Sumitomo Mitsui Financial Group	2.0
US Treasury 1.125% TIPS 2021	3.9	The Boeing Company	1.5

Source: Ruffer AIFM Limited

## 5 largest of 53 equity holdings\*

Stock	% of fund
T&D Holdings	2.5
Mizuho Financial	2.4
Mitsubishi UFJ Finance	2.3
Sumitomo Mitsui Financial Group	2.0
The Boeing Company	1.5

\*Excludes holdings in pooled funds

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.

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.

NAV £337.6m Market capitalisation £343.8m Shares in issue 154,413,416

## 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

## 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 also manages

investment portfolios for individuals, trusts, charities and pension funds and 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 CF Ruffer Total Return Fund.

## Ruffer

The Ruffer Group manages investments on a discretionary basis for private clients, trusts, charities and pension funds. As at 31 July 2015, assets managed by the group exceeded £18.5bn.

## Enquiries

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