

# Ruffer Investment Company Limited

An alternative to alternative asset management



January 2016 Issue 128

The net asset value as at 29 January was 203.4p, representing a fall of 1.7% over the month. This compared with a fall of 3.1% in the FTSE All-Share Total Return index.

January proved to be yet another torrid month for risk assets as global equity markets suffered their worst start to the year since 2009. Many of the fears that troubled investors in the latter half of 2015 continued to weigh heavily on asset prices. Oil prices fell yet further; the Brent price was down another 7% having already fallen 69% since the end of 2013. The ongoing weakness and volatility of the renminbi have been perceived as evidence of a further slowdown in China. The 23% fall in Chinese equities provided another illustration of these worries. Elsewhere, rising concerns of a potential recession in the US ensured a difficult environment for investors. Last year we significantly reduced our equity exposure to its lowest level since the financial crisis. While this helped and inflation linked bonds and gold provided positive returns during the month, it was not sufficient to offset the losses in our remaining equity positions.

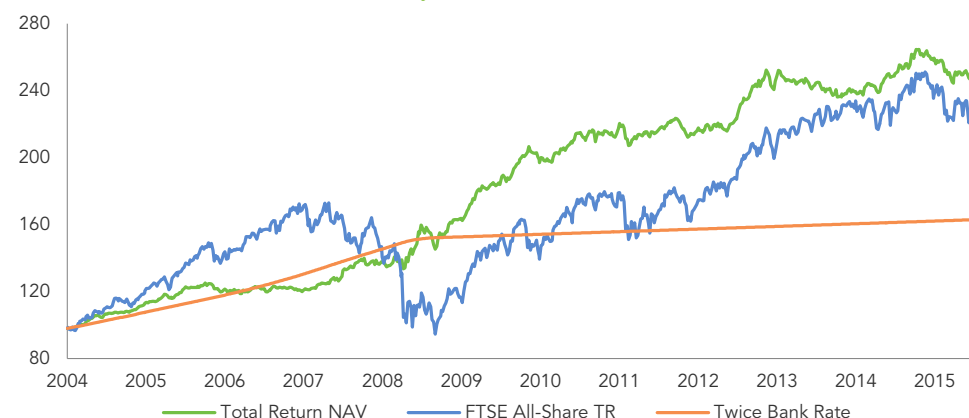
The second half of January was also punctuated by a further round of plate spinning from the world's major central bankers. Mario Draghi provided some respite to embattled markets by offering a strong indication that the European Central Bank (ECB) stood ready to inject fresh stimulus should they be required to do so. Mr Draghi was then trumped by Haruhiko Kuroda (Governor of the Bank of Japan); despite having ruled out the possibility only eight days earlier Mr Kuroda and the Bank of Japan became the latest major central bank to introduce negative rates, following in the footsteps of Switzerland, Denmark, Sweden and the ECB. These actions highlight the growing disparity between the US and the other major economies around the world. Despite providing investors with soothing tones, the Federal Reserve still appears intent on raising rates four times in 2016. Market expectations are less optimistic. The Federal Reserve will have to decide whether it wants to continue tightening policy for reasons of financial stability or defer hikes until growth (and inflation) show themselves fully. This highlights the dilemma the authorities face; not only are their efforts to normalise monetary policy potentially being overcome by deflationary forces, but there is little left in the conventional central banker's tool kit to respond to further shocks. This suggests that yet more radical measures may be required. Anyone for fiscal stimulus? The actions of the Bank of Japan and the words from the ECB may allow some of the more acute stresses to abate in the short term. However, we are likely to see continued tension between the deflationary impulses and the upward pressure on asset prices from zero (and lower) interest rates resulting in further episodes of whiplash in equity markets.

One of our top five equity positions disappeared during the month. The takeover of the long-standing holding in the Japanese Residential Investment Company was completed. We received £6m back from our investment of £3.8m, not to mention the dividends. The proceeds have been deployed back into the Japanese real estate sector where we continue to see good value both on an absolute basis and in terms of the growing disparity between rental yields and Japanese government bond yields (now negative out to nine years maturity). As the domestic economy continues to recover it is also likely that that rents will continue their upward trajectory.

## 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 %	January 2016	Year to date	1 year	3 years	5 years	10 years
Total return NAV	-1.7	-1.7	-5.1	3.4	15.1	97.2
Share price TR <sup>1</sup>	-3.5	-3.5	-6.1	2.5	8.5	90.4

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

Percentage growth in total return NAV	%	As at 29 January 2016	p
31 Dec 2014 – 31 Dec 2015	-1.0	<b>Share price</b>	<b>203.00</b>
31 Dec 2013 – 31 Dec 2014	1.8	<b>Net Asset Value (NAV) per share</b>	<b>203.40</b>
31 Dec 2012 – 31 Dec 2013	9.5		%
31 Dec 2011 – 31 Dec 2012	3.4	Premium/discount to NAV	-0.2
31 Dec 2010 – 31 Dec 2011	0.7	NAV total return since inception <sup>2</sup>	146.9
		Standard deviation <sup>3</sup>	1.93
		Maximum drawdown <sup>3</sup>	-8.29

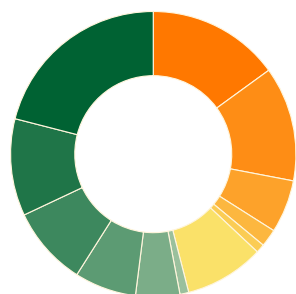
Source: Ruffer AIFM Limited

<sup>2</sup>Including 29.3p of dividends <sup>3</sup>Monthly data (total return NAV)

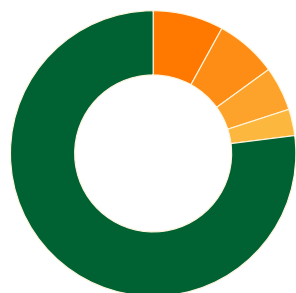
Ruffer performance is shown after deduction of all fees and management charges, and on the basis of income being reinvested. Past performance is not a guide to future performance. The value of the shares and the income from them can go down as well as up and you may not get back the full amount originally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

# Ruffer Investment Company Limited as at 29 Jan 2016

## Portfolio structure



Asset allocation	%		%
● Non-UK index-linked	21	● Japan equities	15
● Long dated index-linked	11	● North America equities	13
● Index-linked gilts	9	● UK equities	6
● Cash	7	● Asia ex-Japan equities	2
● Gold and gold equities	5	● Europe equities	1
● Options	1	● Illiquid strategies	9



Currency allocation	%
● Sterling	77
● US dollar	8
● Yen	7
● Gold	5
● Other	3

## 5 largest of 10 bond holdings

Stock	% of fund
1.875% Treasury index-linked 2022	6.6
1.25% Treasury index-linked 2055	6.3
0.375% Treasury index-linked 2062	5.0
US Treasury 0.625% TIPS 2021	4.7
US Treasury 0.125% TIPS 2023	3.9

Source: Ruffer AIFM Limited

## 5 largest of 45 equity holdings\*

Stock	% of fund
T&D Holdings	2.2
The Boeing Company	2.0
Sumitomo Mitsui Financial Group	1.9
Mitsubishi UFJ Finance	1.9
Resona Holdings	1.6

\*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 £315.6m Market capitalisation £314.9m Shares in issue 155,138,416

## 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 January 2016, assets managed by the group exceeded £18.0bn.

## Enquiries

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