

# Ruffer Investment Company Limited

An alternative to alternative asset management



April 2016 Issue 131

During April the net asset value fell by 0.2%. This compares with a rise of 1.1% in the FTSE All-Share Total Return index.

We have previously remarked, only partly in jest, that in a world where zero interest rates (or even lower) are the norm, eventually the return on other financial assets might turn out to be zero too. It is of course too early to pass judgement on what might happen through the remainder of this year, but so far stock markets appear to be doing their best to adhere to this rather depressing roadmap. After the sharp falls seen across equities earlier this year, aided by either soothing words or inaction from central banks, most markets have made their way back to par, but show little enthusiasm for further gains. The better performing markets of last year, namely Japan and Italy, are now this year's laggards, whilst the duffers of 2015 (oil, mining, Brazil) are today's stars.

Tempting as it is to declare premature vindication of the zero return hypothesis, a more likely explanation lies in investors' uncertainty as to whether we face the perceived failure or normalisation of monetary policy. Unfortunately neither path appears particularly attractive for stock markets. If global growth is strong enough to bear higher interest rates (initially in the US) then dollar strength and rising discount rates may undermine any short term progress from equities. Whilst if monetary policy is seen to have failed, the progression to the likely next step, fiscal intervention, is fraught with dangers against which, in our view, only inflation-linked bonds stand sentry.

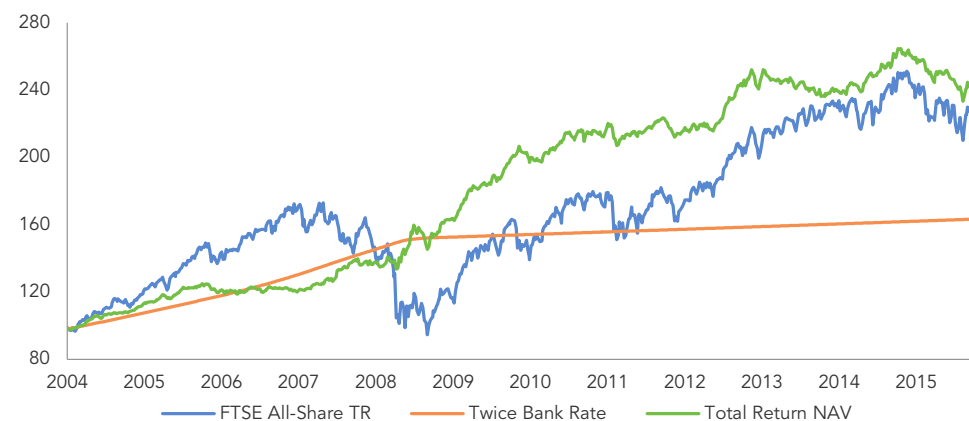
As we write, such issues appear to be playing out most clearly in Japan, where Bank of Japan Governor Kuroda must feel he is 'damned if you do, damned if you don't' whichever way he turns. His imposition of negative interest rates earlier this year received a resounding thumbs down from markets (equities down, yen up) so in response he sat on his hands in April, only to find his inaction greeted by the same negative reaction. This has tested our resolve on Japan, having seen some of our gains made there in previous years swiftly taken back. However, we believe the Japan story is still taking shape, and such missteps as we have seen recently will merely hasten the path to more reflationary fiscal intervention. This could perhaps come as soon as the G7 meeting hosted in Tokyo at the end of May and could be the catalyst for a recovery in a market that is both attractively valued and now shunned by overseas investors. So for now we are keeping our exposure to Japan largely intact, relieved that any setbacks there have so far been offset by gains in our index-linked bonds and gold holdings.

Meanwhile, it would be remiss of us not to pass some comment on the events playing out in the US presidential race. We will resist the lazy response of 'only in America', mindful of our own ability to confound dispassionate observers in the forthcoming referendum. Instead we note that not only are zero interest rates far from a universal panacea for financial markets, but western electorates also seem remarkably resistant to their curative powers. People everywhere are quite angry and are looking for politicians and policies that reflect this mood. Such a move towards populism normally brings with it some unwelcome outcomes, but it also points towards a world less willing to rely on the benevolence of central banks and focused more on the direct intervention of elected governments in striving for either growth or inflation.

## 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 %	April 2016	Year to date	1 year	3 years	5 years	10 years
Total return NAV	-0.2	0.0	-5.9	-0.2	13.9	97.2
Share price TR <sup>1</sup>	0.4	-2.6	-5.3	-3.4	7.7	86.9

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

Percentage growth in total return NAV	%	As at 29 April 2016	p
31 Mar 2015 – 31 Mar 2016	-4.9	<b>Share price</b>	<b>202.75</b>
31 Mar 2014 – 31 Mar 2015	8.6	<b>Net Asset Value (NAV) per share</b>	<b>205.22</b>
31 Mar 2013 – 31 Mar 2014	-2.1		%
31 Mar 2012 – 31 Mar 2013	9.3	Premium/discount to NAV	-1.2
31 Mar 2011 – 31 Mar 2012	3.9	NAV total return since inception <sup>2</sup>	151.2
		Standard deviation <sup>3</sup>	1.91
		Maximum drawdown <sup>3</sup>	-8.61

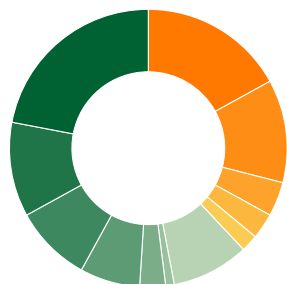
Source: Ruffer AIFM Limited

<sup>2</sup>Including 31.0p 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 Apr 2016

## Portfolio structure



Asset allocation	%		%
● Non-UK index-linked	22	● Japan equities	17
● Long dated index-linked	11	● North America equities	12
● Index-linked gilts	9	● UK equities	4
● Gold and gold equities	7	● Europe equities	3
● Cash	3	● Asia ex-Japan equities	2
● Options	1		
● Illiquid strategies	9		



Currency allocation	%
● Sterling	74
● US dollar	8
● Gold	7
● Yen	6
● Other	5

## 5 largest of 12 bond holdings

Stock	% of fund
1.875% Treasury index-linked 2022	6.6
0.375% Treasury index-linked 2062	4.8
US Treasury 0.625% TIPS 2021	4.6
0.125% Treasury index-linked 2068	4.0
US Treasury 0.125% TIPS 2023	3.9

Source: Ruffer AIFM Limited

## 5 largest of 51 equity holdings\*

Stock	% of fund
The Boeing Company	2.2
T&D Holdings	1.9
Sumitomo Mitsui Financial Group	1.7
Mitsubishi UFJ Finance	1.7
Lockheed Martin	1.3

\*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 £319.8m Market capitalisation £316.0m Shares in issue 155,838,416

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

## Enquiries

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