

Ruffer Investment Company Limited

An alternative to alternative asset management



August 2016 Issue 135

During August the net asset value rose by 3%. This compares with a rise of 1.9% in the FTSE All-Share Total Return index. During the month the discount narrowed from 3.8% to 2%.

As in previous years, the Company's Annual Financial Report for the year to the end of June will be released in September. Since the end of the financial year there has been a lot of movement in markets and the NAV has risen by 7%. We encourage investors to get in touch if they would like to meet with a member of the board.

'Omnia vincit amor' wrote Virgil, and the recent experience of today's investors is that the present all-conquering force is not love but interest rates. A further interest rate cut to 0.25% by the Bank of England in August, alongside a restarting of its quantitative easing programme, has for the moment banished any post-Brexit blues; it has also driven bonds yields down, and brought about an 11% rally in the FTSE All-Share as measured from the day after the EU referendum. Even the UK's Purchasing Managers' Indices for the manufacturing and service sectors have recovered the ground lost since the vote. However, all this is in the nature of a phoney war; the tautology of 'Brexit means Brexit' was never more than a linguistic device to see the government over the summer recess; in terms of what Brexit really represents, the work starts now, and statements from the Japanese and US governments from the G20 meeting in China highlight the delicate balancing act ahead in terms of preserving market access while genuflecting towards the electorate's desire for greater immigration control.

The new(ish) UK Chancellor, Mr Hammond, as well as pushing back yet further the government's timing for achieving a balanced budget, has also introduced the word 'reset' into the lexicon as regards fiscal policy. We strongly suspect this roughly translates as cover for fiscal expansion in the autumn if required. Moreover with interest rates now so low, gains from even looser monetary policy will be vanishingly small. Either way, we feel certain that any such fiscal expansion would drive up inflation expectations from their present somnolent levels. Asset markets are presently exhibiting their lowest levels of volatility for 20 years. With September offering potentially pivotal meetings at the Fed and Bank of Japan, followed by the US presidential election and the Italian referendum on constitutional reform, it seems hard to believe things will stay that way, even before consideration of general elections next year in France and Germany.

A further reason why we see greater fiscal activism in the UK as inevitable, alongside that already under way in Canada and Japan, is that there is a significant negative unintended consequence to yet easier monetary policy here, and one that is growing in profile and prominence. Collapsing bond yields, by lowering discount rates, have caused a surge in UK companies' pension deficits. With high profile cases such as BHS making all the wrong headlines, such increased pension liabilities will pressure corporate budgets, when Brexit uncertainty is probably already causing a pause for thought around investment intentions. Last week saw the UK company Carclo announce it would probably be unable to pay an already declared dividend, precisely because of the rise in its pension deficit. Further evidence perhaps that the time has come for central banks to focus on lowering real interest rates, not just nominal ones.

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 %	August 2016	Year to date	1 year	3 years	5 years	10 years
Total return NAV	3.0	11.0	8.3	11.0	30.5	127.0
Share price TR ¹	4.6	7.4	4.0	6.8	22.8	120.1

¹Assumes re-investment of dividends

Percentage growth in total return NAV	%	As at 31 August 2016	p
30 Jun 2015 – 30 Jun 2016	-1.0	Share price	223.25
30 Jun 2014 – 30 Jun 2015	7.9	Net Asset Value (NAV) per share	227.84
			%
30 Jun 2013 – 30 Jun 2014	-2.6	Premium/discount to NAV	-2.0
30 Jun 2012 – 30 Jun 2013	13.8	NAV total return since inception ²	178.8
30 Jun 2011 – 30 Jun 2012	-0.3	Standard deviation ³	1.93
		Maximum drawdown ³	-8.61

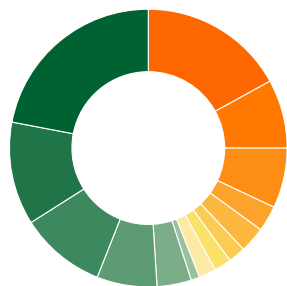
Source: Ruffer AIFM Limited, FTSE International (FTSE)[†]

²Including 31.0p of dividends ³Monthly data (total return NAV)

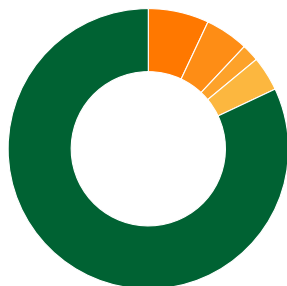
Ruffer performance is shown after deduction of all fees and management charges, and on the basis of income being reinvested. Past performance is not a guide to future performance. The value of the shares and the income from them can go down as well as up and you may not get back the full amount originally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

Ruffer Investment Company Limited as at 31 August 2016

Portfolio structure



Asset allocation	%		%
● Non-UK index-linked	22	● Japan equities	17
● Long dated index-linked	12	● UK equities	8
● Index-linked gilts	10	● North America equities	7
● Gold and gold equities	7	● Cash	3
● Protective illiquid strategies	4	● Europe equities	3
● Options	1	● Asia ex-Japan equities	2
		● Other	2
		● Growth illiquid strategies	2



Currency allocation	%
● Sterling	82
● Gold	7
● Yen	5
● US dollar	2
● Other	4

5 largest of 13 bond holdings

Stock	% of fund
1.875% Treasury index-linked 2022	6.4
0.375% Treasury index-linked 2062	6.4
0.125% Treasury index-linked 2068	5.7
US Treasury 0.625% TIPS 2021	4.6
US Treasury 0.125% TIPS 2023	4.0

Source: Ruffer AIFM Limited

5 largest of 54 equity holdings*

Stock	% of fund
T&D Holdings	2.2
Mitsubishi UFJ Finance	2.0
Sumitomo Mitsui Financial Group	1.9
WestRock Company	1.2
Mitsubishi Electric	1.1

*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 £355.1m Market capitalisation £347.9m 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		

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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 31 August 2016, assets managed by the group exceeded £20.0bn.

Enquiries

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