

Ruffer Investment Company Limited

An alternative to alternative asset management



August 2018 Issue 159

During August, the net asset value of the Company fell by 1.2%. This compares with a fall of 2.8% in the FTSE All-Share index.

The US equity market moved past January's all-time high. This rise has been driven by a steadily narrowing group of stocks, which typically does not augur well for future returns. Elsewhere, it was a much soggier picture with UK, European and Japanese equity indices all falling during the month and the damage was even greater in emerging markets. Not many safe haven assets performed. The dollar and yen only appreciated by 1-2% against a weak pound and gold was largely unchanged in dollar terms. Gold miners were hit harder with the gold mining index down 13%: a combination of emerging market and commodity weakness.

Emerging market currencies grabbed most of the headlines. Turkey has long been identified as vulnerable, due to excessive debt (much of which was taken out in foreign currencies) and an authoritarian political regime. The Turkish lira has now fallen 74% this year. Argentina is also showing how fragile paper currencies can be. As the peso plunged, interest rates moved up to 60% in August – a far cry from the western world of ZIRP (zero interest rate policy). It remains to be seen whether there will be any contagion effects to other emerging economies, but it is a healthy reminder of how quickly these things can unravel and how widespread the effects of tighter monetary policy in the US can be felt. Much has been written about gold's lacklustre performance in recent times, but if you were holding bullion in Ankara or Buenos Aires this month you would be sitting on gains of 32% and 35% respectively, when the world around you has been tumbling down. It has done exactly what is required.

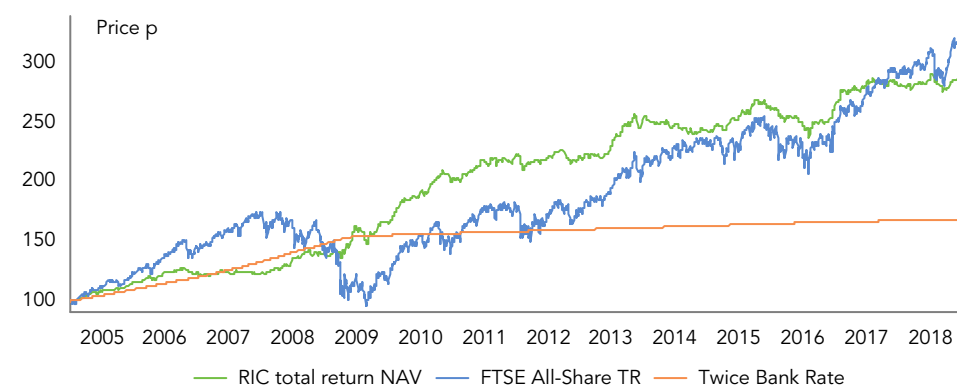
Cracks in the eurozone continue to appear as Target 2 balances (effectively the quantum of deposits moving from Club Med to Germany) surpassed the peak of 2012/2013. Relatively robust economic growth is masking a plethora of underlying problems. At some point this will have to crystallise in a banking and fiscal union or risk a break-up. For now this is tomorrow's story. In the UK the savings rate plumbed new all-time lows at the same time as a fall in house prices. Despite this, there was a token increase in UK interest rates to 0.75%, but this does not mask the fact the Bank of England is (deliberately) behind the curve and loose monetary policy persists.

Looking forward our position remains that while global economic growth looks respectable, asset prices only look justifiable on a relative basis assuming that long term interest rates remain settled. If bond yields start to rise (and there are plenty of reasons to believe that they may) then the sort of stress that we have seen this month in far flung places may have a greater impact closer to home.

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 2018	Year to date	1 year	3 years	5 years	10 years
Total return NAV	-1.2	-0.7	0.9	10.7	13.4	98.6
Share price TR ¹	0.1	-0.3	0.6	10.3	13.3	110.2

¹Assumes re-investment of dividends

Percentage growth in total return NAV	%	As at 31 August 2018	p
30 Jun 2017 – 30 Jun 2018	0.8	Share price	234.00
30 Jun 2016 – 30 Jun 2017	8.8	Net Asset Value (NAV) per share	228.42
30 Jun 2015 – 30 Jun 2016	-1.0	Premium/discount to NAV	2.4
30 Jun 2014 – 30 Jun 2015	7.9	NAV total return since inception ²	184.8
30 Jun 2013 – 30 Jun 2014	-2.6	Standard deviation ³	1.82
		Maximum drawdown ³	-8.62

Source: Ruffer LLP, FTSE International (FTSE) †

²Including 35.4p of dividends ³Monthly data (total return NAV)

Ruffer Investment Company Limited as at 31 Aug 2018

Asset allocation



Asset allocation %

● Non-UK index-linked	16.1
● Long-dated index-linked gilts	11.9
● Cash	9.3
● Gold and gold equities	6.4
● Index-linked gilts	5.7
● Illiquid strategies	4.9
● Japan equities	16.7
● North America equities	11.9
● UK equities	11.2
● Asia ex-Japan equities	3.1
● Europe equities	2.8

Currency allocation



Currency allocation %

● Sterling	70.0
● US dollar	15.0
● Yen	6.0
● Gold	6.0
● Other	3.0

10 largest of 58 equity holdings*

Stock	% of fund
T&D	2.5
Walt Disney	2.1
Sumitomo Mitsui Financial	2.1
Vivendi SA	2.0
iShares Physical Gold	1.9
Mitsubishi UFJ Financial	1.6
Tesco	1.6
Resona	1.5
Mizuho Financial	1.5
Ocado	1.3

5 largest of 12 bond holdings

Stock	% of fund
UK Treasury index-linked 0.375% 2062	5.6
UK Treasury index-linked 0.125% 2068	5.2
US TIPS 0.625% 2021	4.1
UK Treasury index-linked 1.875% 2022	3.9
US Treasury 0.125% TIPS 2023	3.5

*Excludes holdings in pooled funds
Source: Ruffer LLP

NAV £405.8m Market capitalisation £415.7m Shares in issue 177,638,430

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
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

* Audited at 30 June 2018

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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. He is also co-manager of the Ruffer Investment Company.



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.



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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. The Key Information Document is provided in English and available on request or from www.ruffer.co.uk.

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Ruffer LLP

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