

# Ruffer Investment Company Limited

An alternative to alternative asset management



March 2019 Issue 166

During March, the net asset value of the Company rose by 1.8% (including the dividend of 0.9p that was paid during the month). This compares with a rise of 3.2% in the FTSE All-Share index.

The defining feature in March has been the sharp falls in bond yields (prices up) across developed markets. Early in the month, the European Central Bank downgraded their forecasts for economic growth, which immediately sent German bunds towards zero for the first time since 2016. This move was further catalysed by the Federal Reserve, who completed their *volte-face* on interest rates in definitive fashion. As recently as September the Fed had forecast as many as four interest rate rises in 2019, but at their most recent meeting they implied they do not expect to raise rates again until 2020, while financial markets are now assuming the most likely next move is for rates to be cut. This shift is as close to confirmation that the words from Chairman Jerome Powell in the fourth quarter amounted to a significant error in communication, one requiring substantial efforts to correct. This backdrop of soothing actions and words from policy makers has given comfort to equity markets, which ended the month at the highs for the year. We continue to have just under 40% of the fund invested in equities, enabling us to capture a reasonable share of the returns, whilst continuing to hold protection should the market lose faith in the powers of central bankers.

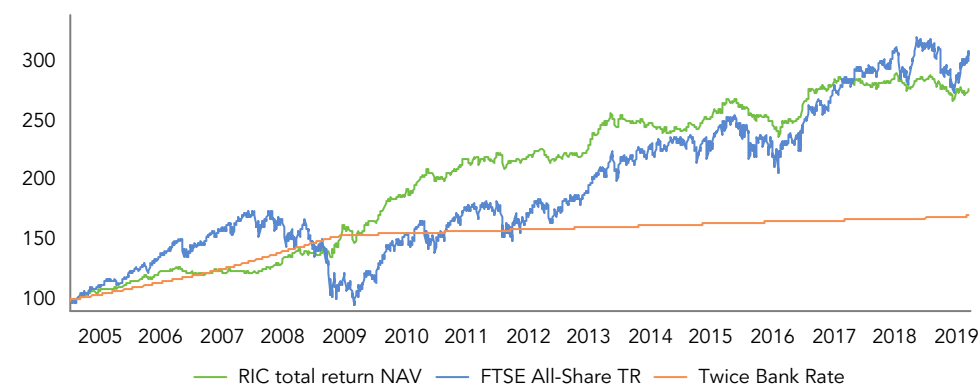
We have long-described a world where financial markets are too weak to tolerate higher interest rates. The events of 2018, and the most recent pronouncements from the Fed, have confirmed to all market participants this is correct. The patient continues to be reliant on the drugs, and the doctors are reluctant to see if they can cope without. The greater the market belief in policy makers the harder it is to control. Consider what will happen the next time the Fed seems cornered, facing a buoyant market with loose financial conditions and incipient inflationary pressure. The market, sensing the Fed may wish to tighten financial conditions, may well pre-empt Fed action and tighten financial conditions endogenously, ie equity and credit markets will fall sharply. The new additional risk is that if markets have been justified in their recessionary fears, then the Fed will have to act in dramatic fashion, they cannot risk a nine foot jump over a ten foot gap, they need a twelve foot jump. The threshold for this is substantial.

We have absolute conviction in our view that markets remain structurally fragile, for which we hold protection, whilst if the Fed have postponed the reckoning we have sufficient equities in the fund to enjoy the remaining sunshine.

## 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 %	March 2019	Year to date	1 year	3 years	5 years	10 years
Total return NAV	1.8	3.1	-0.6	10.6	14.2	78.8
Share price TR <sup>1</sup>	3.0	3.7	-4.5	9.7	9.6	73.3

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

Percentage growth in total return NAV	%	As at 29 March 2019	p
31 Mar 2018 – 31 Mar 2019	-0.6	Share price	215.00
31 Mar 2017 – 31 Mar 2018	-1.4	Net Asset Value (NAV) per share	221.13
31 Mar 2016 – 31 Mar 2017	12.8		%
31 Mar 2015 – 31 Mar 2016	-4.9	Premium/discount to NAV	-2.8
31 Mar 2014 – 31 Mar 2015	8.6	NAV total return since inception <sup>2</sup>	177.9
		Standard deviation <sup>3</sup>	1.84
		Maximum drawdown <sup>3</sup>	-8.62

Source: Ruffer LLP, FTSE International (FTSE) †

<sup>2</sup>Including 37.2p of dividends <sup>3</sup>Monthly data (total return NAV)

# Ruffer Investment Company Limited as at 29 Mar 2019

## Asset allocation



### Asset allocation %

Long-dated index-linked gilts	13.7
Short-dated bonds	12.3
Non-UK index-linked	12.1
Illiquid strategies and options	8.5
Gold and gold equities	7.7
Cash	5.6
Index-linked gilts	0.6

## Currency allocation



### Currency allocation %

Sterling	74.7
Gold	7.9
US dollar	6.3
Yen	5.7
Euro	4.4
Other	1.1

## 10 largest of 52 equity holdings\*

Stock	% of fund
Tesco	2.4
Walt Disney Company	2.2
Vivendi	2.1
Ocado	1.5
ArcelorMittal	1.4
ExxonMobil	1.4
Bandai Namco	1.2
General Motors	1.2
Mitsubishi UFJ Financial	1.1
Sumitomo Mitsui Financial Group	1.1

## 5 largest of 16 bond holdings

Stock	% of fund
UK Treasury index-linked 0.125% 2068	6.9
UK Treasury index-linked 0.375% 2062	6.2
US Treasury 0.625% TIPS 2021	4.2
US Treasury 1.75% TIPS 2019	3.0
US Treasury 2.0% TIPS 2020	2.9

\*Excludes holdings in pooled funds  
Source: Ruffer LLP.  
Pie chart totals may not equal 100 due to rounding.

NAV £399.8m Market capitalisation £388.7m Shares in issue 180,788,420

## Company information

Annual management charge (no performance fee)	1.0%
Total Expense Ratio*	1.18%
Ex dividend dates	March, September
NAV valuation point	Weekly, every Tuesday Plus the last business day of the month
Stock ticker	RICA LN
ISIN GB00B018CS46	SEDOL B018CS4
Administrator**	Praxis Fund Services 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

\*\* Please note that administrator changed from Northern Trust Fund Administration Services (Guernsey) Limited as of 1 April 2019

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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.



### 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](http://www.ruffer.co.uk).

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## Ruffer LLP

The Ruffer Group manages investments on a discretionary basis for private clients, trusts, charities and pension funds. As at 28 February 2019, assets managed by the group exceeded £21.0bn.