

**OCTOBER 2014**

ISSUE 113

Share price as at 31 Oct 2014**200.50p****NAV as at 31 Oct 2014**

Net Asset Value (per share)

208.25p**Premium/discount to NAV**

As at 31 Oct 2014

-3.7%**NAV total return¹**

Since inception

148.8%**Portfolio analytics²** %

Standard deviation 1.92

Maximum drawdown -7.36

¹Including 25.9p of dividends²Monthly data (Total Return NAV)**Percentage growth in total return NAV**

30 Sep 2013 – 30 Sep 2014 -0.6

30 Sep 2012 – 30 Sep 2013 11.7

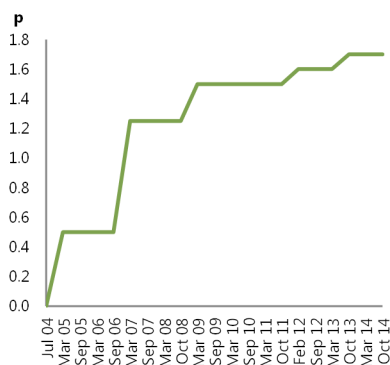
30 Sep 2011 – 30 Sep 2012 2.3

30 Sep 2010 – 30 Sep 2011 5.6

30 Sep 2009 – 30 Sep 2010 12.3

30 Sep 2008 – 30 Sep 2009 30.3

Source: RAIFM

Dividend history

Source: RAIFM. Dividends are paid twice yearly. Please see overlay for ex-dividend dates.

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

An alternative to alternative asset management

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.

RIC performance since launch on 8 July 2004



Investment report

The net asset value at 31 October was 208.25p, representing an increase in total return of 0.5% during the month. On a total return basis the FTSE All-Share fell by 0.7%. The dividend of 1.7p was paid on 24 October and the shares currently trade at a 3.7% discount to net asset value.

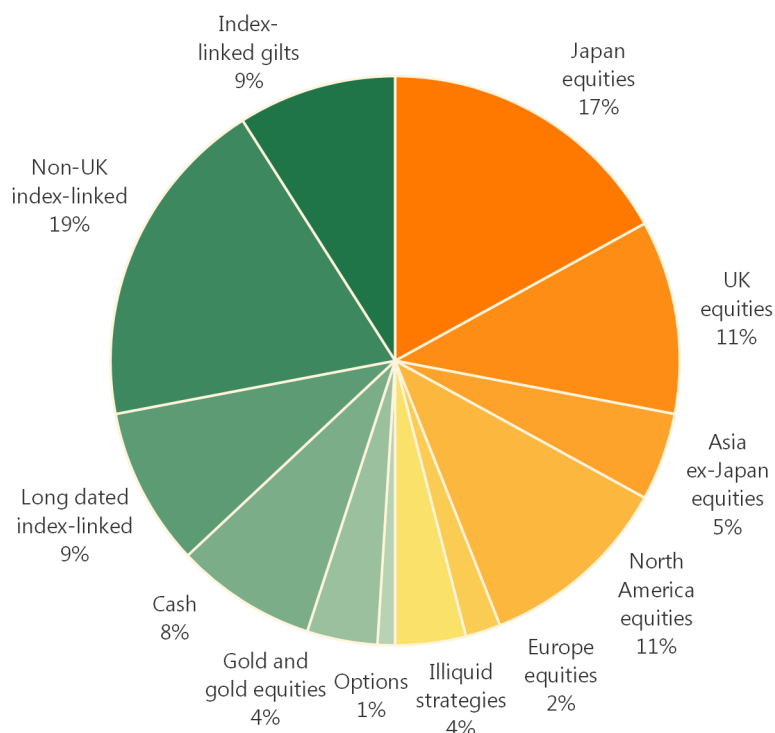
October was marked by extraordinary volatility in financial markets as the extended period of eerie calm that had settled across the major asset classes came to a sudden end. The Chicago Board Options Exchange Volatility Index (VIX) – commonly known as the fear index – doubled during the month, reaching its highest level since June 2012 before sliding back. Although by the end of the month markets had broadly returned to their starting positions, we see October's events as a clear wake-up call for investors. The recent environment of medicated asset prices, stemming from zero interest rates, unprecedented amounts of monetary stimulus and artificially suppressed volatility, will not last forever and its ending is unlikely to be pleasant.

Almost six years after the US Federal Reserve started buying assets and holding benchmark interest rates to the floor, investors finally have to face up to the punch bowl being removed as quantitative easing in the US comes to an end. In a single day the yield on the US 10 year Treasury, one of the most liquid financial instruments in the world, swung from 2.21% per cent to 1.86% within a matter of hours. This movement in yield, on what is perhaps the closest to a 'risk free asset', has previously been seen only in 2008 and other severe meltdowns. In the summer we had initiated a position in options to benefit from a rise in market volatility, which we have managed to monetise with a substantial profit. The other asset class that helped the portfolio weather this deflationary lurch was our index-linked bonds which, as real yields fell even further into negative territory, proved to be a key offset. With precious little expectation of

inflation built into their prices and interest rates likely to remain suppressed for an extended period, these bonds remain central to our portfolio, and as the last month shows, do not necessarily need the onset of inflation to deliver healthy returns for the fund.

By the advent of Halloween, equity markets had recovered much of their poise. As shown above, UK equities ended the month with a whimper rather than a bang, making a rather mundane 0.7% loss whilst the ever resilient US stock market even managed to bounce back with sufficient spring in its heels to end on a new all-time high. However it was left to this year's laggard, Japan, to provide the real fireworks to close out the month. Whilst we had been expecting the Bank of Japan to add to its already extensive monetary easing, the co-ordinated actions with the Government Pension Investment Fund (GPIF) announced on the last day of October not only took markets completely by surprise, but provided us with a welcome fillip for the month end valuation. The result was that Japanese equities, after falling more than 10% earlier in the month, rebounded by 17% in short order, ending October with a net 5% gain with every likelihood of more to come, especially if the monetary stimulus can be matched by fiscal policy to deliver a real increase in domestic demand. Timed as it was to coincide with the ending of US asset purchases, the Japanese authorities have shown a rare sense timing and awareness of market sentiment. We hope the eurozone governments and ECB are watching closely, but we are not holding our breath. Overall, observing the events of the last month as volatility returned to financial markets, we cannot help but feel that we are emerging from a period when it has been easy, but dangerous, to make money into a time when holding either equities or bonds will remain dangerous whilst returns will be harder to come by and more volatile.

Portfolio structure as at 31 Oct 2014



Source: RAIFM

Ten largest holdings as at 31 Oct 2014

Stock	% of fund
1.25% Treasury index-linked 2017	7.0
1.25% Treasury index-linked 2055	5.2
US Treasury 0.625% TIPS 2021	4.1
0.375% Treasury index-linked 2062	3.8
US Treasury 0.125% TIPS 2023	3.7
US Treasury 0.375% TIPS 2023	3.4
US Treasury 1.125% TIPS 2021	3.4
Gold Bullion Securities	2.5
CF Ruffer Japanese Fund	2.4
US Treasury 2.125% TIPS 2041	2.3

Five largest equity holdings* as at 31 Oct 2014

Stock	% of fund
T&D Holdings	2.2
Mitsubishi UFJ Finance	2.1
Lockheed Martin	2.0
BP	2.0
Qualcomm	1.6

*Excludes holdings in pooled funds

Source: RAIFM

NAV valuation point	Weekly – Friday midnight Last business day of the month
NAV	£321.8m (31 Oct 2014)
Shares in issue	154,013,416
Market capitalisation	£310.7m (31 Oct 2014)
No. of holdings	62 equities, 14 bonds (31 Oct 2014)
Share price	Published in the Financial Times
Market makers	Canaccord Genuity Cenkos Securities Numis Securities JPMorgan Cazenove Winterflood Securities



HAMISH BAILLIE Investment Director

Joined the Ruffer Group in 2002. Founded and manages the Edinburgh office of Ruffer LLP which opened in September 2009 and is a director of Ruffer (Channel Islands) Limited. As well as acting as the lead manager on the Ruffer Investment Company he also manages investment portfolios for individuals, trusts, charities and pension funds. He is a member of the Chartered Institute for Securities & Investment and a graduate of Trinity College Dublin.



STEVE RUSSELL Investment Director

Started as a research analyst at SLC Asset Management in 1987, where he became Head of Equities in charge of £5bn of equity funds. In 1999 he moved to HSBC Investment Bank as Head of UK and European Equity Strategy, before joining Ruffer in 2003. He became a non-executive director of JPMorgan Fleming Continental Investment Trust in 2005 and is co-manager of the CF Ruffer Total Return Fund and the Ruffer Investment Company.

Company information

Company structure	Guernsey domiciled limited company
Share class	£ sterling denominated preference shares
Listing	London Stock Exchange
NMPI status	Excluded security
Wrap	NISA/SIPP qualifying
Discount management	Share buyback Discretionary redemption facility
Investment Manager	Ruffer AIFM Limited
Administrator	Northern Trust International Fund Administration Services (Guernsey) Limited
Custodian	Northern Trust (Guernsey) Limited
Ex dividend dates	March, September
Stock ticker	RICA LN
ISIN	GB00B018CS46
SEDOL	B018CS4
Total Expense Ratio	1.18%
Charges	Annual management charge 1.0% with no performance fee

Enquiries	Tel +44 (0)20 7963 8254 Ruffer AIFM Ltd 80 Victoria Street London SW1E 5JL
	Fax +44 (0)20 7963 8175 rif@ruffer.co.uk www.ruffer.co.uk

Ruffer

The Ruffer Group manages investments on a discretionary basis for private clients, trusts, charities and pension funds. As at 31 October 2014, assets managed by the group exceeded £17.2bn.