



DECEMBER 2014

ISSUE 115

Share price as at 31 Dec 2014

216.00p

NAV as at 31 Dec 2014

Net Asset Value (per share)

212.41p

Premium/discount to NAV

As at 31 Dec 2014

1.7%

NAV total return¹

Since inception

153.7%

Portfolio analytics² %

Standard deviation 1.92

Maximum drawdown -7.36

¹Including 25.9p of dividends

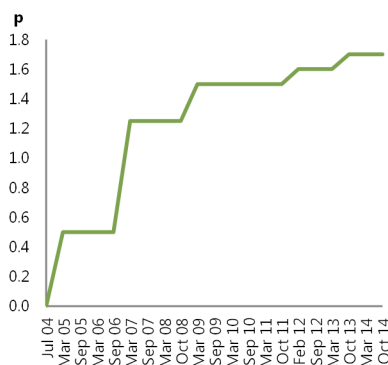
²Monthly data (Total Return NAV)

Percentage growth in total return NAV

31 Dec 2013 – 31 Dec 2014	1.8
31 Dec 2012 – 31 Dec 2013	9.5
31 Dec 2011 – 31 Dec 2012	3.4
31 Dec 2010 – 31 Dec 2011	0.7
31 Dec 2009 – 31 Dec 2010	16.5
31 Dec 2008 – 31 Dec 2009	15.1
31 Dec 2007 – 31 Dec 2008	23.8

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.

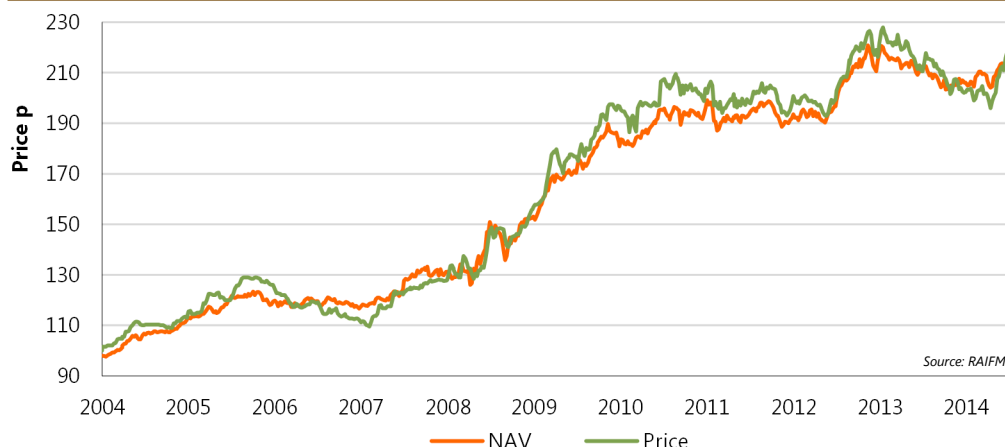
RUFFER INVESTMENT COMPANY LIMITED

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



Source: RAIFM

Investment report

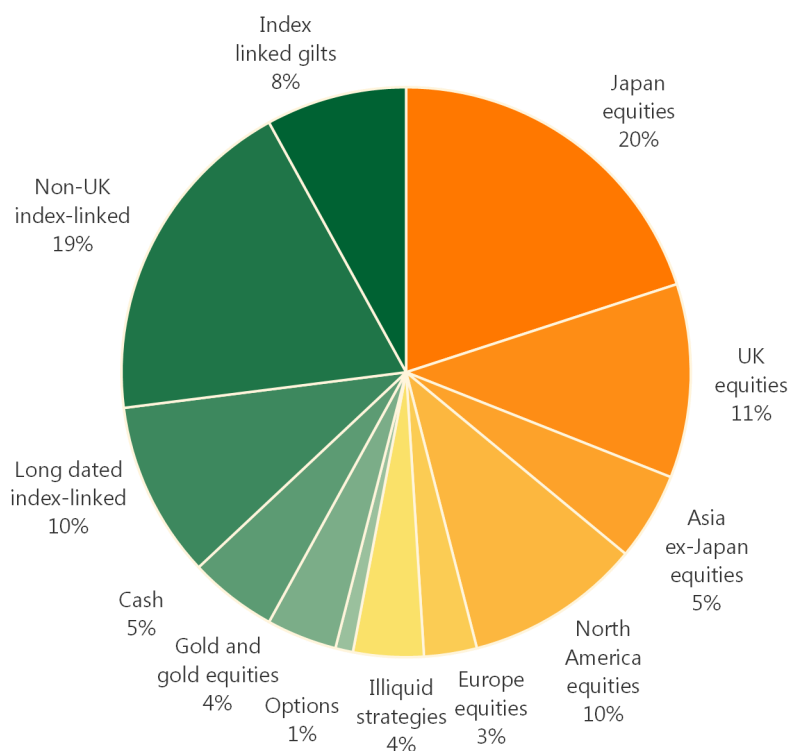
The net asset value at 31 December was 212.4p, representing a fall of 0.4% during the month. The rise in the share price was 2.1% and the FTSE All-Share total return index fell by 1.6%.

Equity markets experienced another rollercoaster month and, as was the case in October, the end result masks the underlying volatility; the FTSE fell over 8% in a week in the middle of the month. The portfolio has weathered these recent mini-storms well and while there is no room for complacency it is reassuring to see. Once again, positive contributions came from long-dated index-linked gilts and US equities. In Asia, Citic Securities and China Life were the best performers as they benefited from the growing belief in the potential liberalisation of the Chinese stock market (over and above the Hong Kong-Shanghai Stock Connect program which has been somewhat disappointing). Options cost the portfolio 30bps during the month and with the exception of the recent purchase in Bridgestone, Japanese equities were marginally in negative territory. The election in Japan passed uneventfully on 14 December and Prime Minister Abe recorded a comfortable victory as expected. We view this positively as it has bought Abe another four years to push through his economic reform program and it puts off the second rise in the consumption tax. We would expect to see some announcements from the new government in the first quarter of 2015. A cut in corporation tax will take place as part of Abe's 'reverse-Wassenaar agreement' with the corporate sector: you raise wages and I will cut taxes. The net result is positive for Japan as a whole and when coupled with the corporate governance changes that are taking

place (focus on return on equity, dividends and buybacks) this makes Japanese equities an interesting proposition in their own right and all the more so with the added bonus of the Bank of Japan's quantitative easing stimulus and the indirect support of the rebalancing of the giant national pension scheme (GPIF) towards equities.

Many a wise commentator has been tempted into January predictions which are quickly overturned and 2015 looks particularly treacherous in this respect given some of the potentially huge geopolitical risks in play. How many people called long linkers up 40% last year despite falling inflation? Our portfolio is positioned for the long run but if our arm were to be twisted into making short term predictions we would anticipate that the world continues to move in the direction of the end game of monetary instability. There are considerable deflationary pressures in the global economy at present and this is nothing new, but we still firmly believe that central banks are hard-wired to counter that threat. Index-linked bonds performed well last year in a disinflationary environment and we would expect them to do likewise should real rates be driven lower by rising inflation rather than falling bond yields. The biggest threat to this position is an economic recovery that can withstand significantly higher interest rates. Our protection from this scenario (which admittedly seems some way off being required at present) is the equity book. US and UK equities will be obvious beneficiaries, but Japanese stocks should also profit from global growth.

Portfolio structure as at 31 Dec 2014



Source: RAIFM

Ten largest holdings as at 31 Dec 2014

Stock	% of fund
1.25% Treasury index-linked 2055	5.7
1.875% Treasury index-linked 2022	5.1
0.375% Treasury index-linked 2062	4.2
US Treasury 0.625% TIPS 2021	4.1
US Treasury 0.125% TIPS 2023	3.7
US Treasury 0.375% TIPS 2023	3.4
US Treasury 1.125% TIPS 2021	3.3
1.25% Treasury index-linked 2017	3.1
Gold Bullion Securities	2.6
CF Ruffer Japanese Fund	2.5

Five largest equity holdings* as at 31 Dec 2014

Stock	% of fund
Sumitomo Mitsui Financial Group	2.1
T&D Holdings	2.1
Mitsubishi UFJ Finance	2.1
Lockheed Martin	2.1
BP	1.8

*Excludes holdings in pooled funds

Source: RAIFM

NAV valuation point	Weekly – Friday midnight Last business day of the month
NAV	£327.1m (31 Dec 2014)
Shares in issue	154,013,416
Market capitalisation	£332.7m (31 Dec 2014)
No. of holdings	62 equities, 14 bonds (31 Dec 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	1.15%
Charges	Annual management charge 1.0% with no performance fee

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Ruffer

The Ruffer Group manages investments on a discretionary basis for private clients, trusts, charities and pension funds. As at 31 December 2014, assets managed by the group exceeded £17.8bn.