RUFFER INVESTMENT COMPANY LIMITED

An alternative to alternative asset management

DECEMBER 2013
ISSUE 103

Share price as at 31 Dec 2013
210.50p

NAV as at 31 Dec 2013
Net Asset Value (per share)
212.11p

Premium/(discount) to NAV
As at 31 Dec 2013
-0.8%

NAV total return[1]
Since inception
149.3%

Portfolio analytics[2]	%
Standard deviation	1.97
Maximum drawdown	-7.36

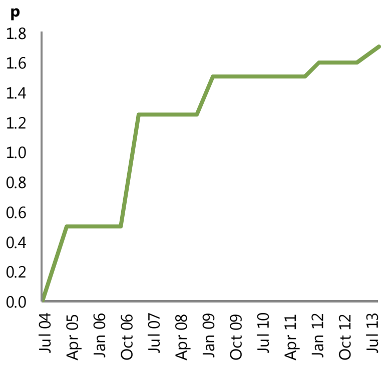
[1]*Including 20.8p of dividends*
[2]*Monthly data (Total Return NAV)*

Percentage growth in total return NAV

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: Ruffer LLP

Dividend history



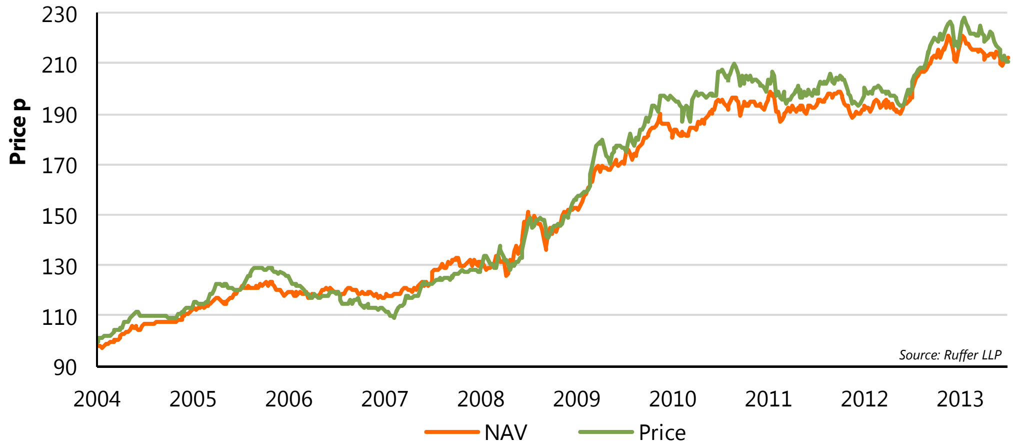
Source: Ruffer LLP. Dividends are paid twice yearly. Please see overleaf for ex-dividend dates.

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.

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



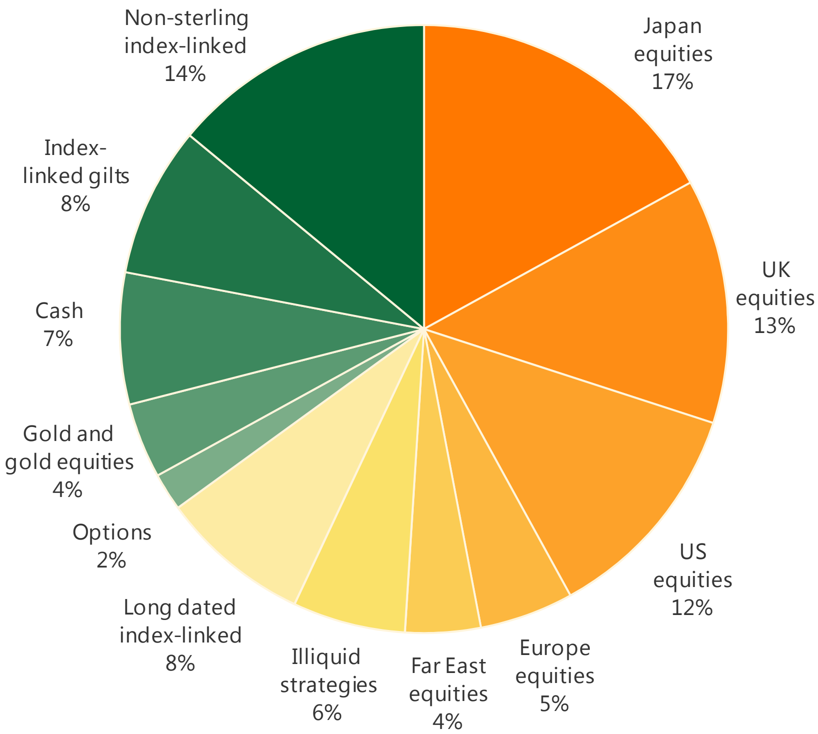
Investment report

The net asset value at 31 December was 212.11p. This represents a fall of 0.1% during the month and a rise of 9.5% over the calendar year on a total return basis. The FTSE All-Share Total Return index rose 1.8% during the month and 20.8% during the year.

The principal contributions came from equities in Japan, the UK, the US and Europe (in that order). The weakness in the yen almost exactly offset the gain in the Japanese equity book but our currency hedge ensured that the positive return was not given back. As the Federal Reserve opted to reduce its quantitative easing programme index-linked bonds declined, but not as dramatically as many had feared; counter-intuitively bond yields actually fell after previous iterations of QE came to an end. Gold securities and the option book also gave up a bit of ground but overall it was a quiet month as demonstrated by the fact that no single holding moved by more than a single digit percentage amount in either direction.

Japan was perhaps the most interesting talking point of the month (the incessant will-they-won't-they debate around tapering has bored most market participants into submission). There was no Christmas break for Prime Minister Abe who was exuberantly talking up the next stage of his economic reform programme. The message from Abe is that there is still much work to do and the changes to come will have a distinctly deflationary flavour, but the plan is on track and there is plenty of firepower left within monetary and fiscal policy to offset these deflationary pressures. One such example of the government's pro-activity is the introduction of the NISA (the Nippon Individual Savings Account); a tax free vehicle intended to encourage individuals to move some of the $16tr of savings in Japan out of unproductive cash and into stock market investments. Even a small shift will make a difference; 12% of total household savings equates to the market capitalisation of Japan's 50 largest companies. Encouraging a move out of cash will not be easy and the first quarter of 2014 is a pivotal moment for Abenomics. To date monetary policy has spurred on corporate profitability through a combination of the weaker yen and the operational gearing inherent in most Japanese companies. If the progress made to date is to be secured then companies will need to pass on some of this improved profitability through wage increases and the first quarter of the year is the period when most wage negotiations occur. Initial indications are positive as year-end bonuses appear to be up 3-5%. Abe has spent much time persuading corporate bigwigs to do their bit and rightly so; rising base salaries will make consumers believe that inflation is possible and give them the confidence to spend (or invest) rather than sit in cash and this will overcome the vicious cycle of falling prices (the hallmark of deflation). Turning around this psychological juggernaut will not be easy but momentum is moving Japan's way and with Abe at the helm they have a man with the determination to make things happen. Of course, an investment in Japan comes with risk; as with other global equity markets Japan is reliant on further improvement in global economic growth. A shock to global growth will hurt Japanese exports. However, unlike other developed markets Japan is in a position of self-help and has the backing of a healthy banking sector. That makes it the most interesting place for us to take equity market risk. If Abenomics falters it will most likely be due to factors outside Japan's control (ie the global economy) and in that instance Japan will be in no worse a position than other equity markets.

Portfolio structure as at 31 Dec 2013



Source: Ruffer LLP

Ten largest holdings as at 31 Dec 2013

Stock	% of fund
1.25% Treasury index-linked 2017	6.9
1.25% Treasury index-linked 2055	5.1
US Treasury 1.625% TIPS 2018	3.7
US Treasury 0.625% TIPS 2021	3.7
0.375% Treasury index-linked 2062	3.1
US Treasury 0.125%TIPS 2022	3.0
T&D Holdings	2.9
Gold Bullion Securities	2.6
US Treasury 2.125% TIPS 2041	2.5
CF Ruffer Japanese Fund	2.4

Five largest equity holdings* as at 31 Dec 2013

Stock	% of fund
T&D Holdings	2.9
Gold Bullion Securities	2.6
BP	2.1
IBM	1.9
Vodafone Group	1.7

**Excludes holdings in pooled funds*

Source: Ruffer LLP

NAV valuation point	Weekly – Friday midnight Last business day of the month
NAV	£324.3m (31 Dec 2013)
Shares in issue	152,913,416
Market capitalisation	£321.9m (31 Dec 2013)
No. of holdings	62 equities, 9 bonds (31 Dec 2013)
Share price	Published in the Financial Times
Market makers	Canaccord Genuity Cenkos Securities | Numis Securities JPMorgan Cazenove | Winterflood Securities

HAMISH BAILLIE
Investment Director
Joined Ruffer 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 moved to HSBC Investment Bank as Head of UK and European Equity Strategy, before joining Ruffer in September 2003. Became a non-executive director of JPMorgan European Investment Trust in 2005 and is co-manager of the CF Ruffer Total Return Fund.

Company information

Company structure	Guernsey domiciled limited company
Share class	£ sterling denominated preference shares
Listing	London Stock Exchange
Settlement	CREST
Wrap	ISA/SIPP qualifying
Discount management	Share buyback Discretionary redemption facility
Investment Manager	Ruffer LLP
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
Charges	Annual management charge 1.0% with no performance fee

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Ruffer LLP
Ruffer LLP manages investments on a discretionary basis for private clients, trusts, charities and pension funds. As at 31 December 2013, assets managed by the group exceeded £16.1bn.