RUFFER INVESTMENT COMPANY LIMITED

An alternative to alternative asset management

JUNE 2015
ISSUE 121

Share price as at 30 Jun 2015
223.00p

NAV as at 30 Jun 2015
Net Asset Value (per share)
218.76p

Premium/discount to NAV
As at 30 Jun 2015
1.9%

NAV total return[1]
Since inception
163.4%

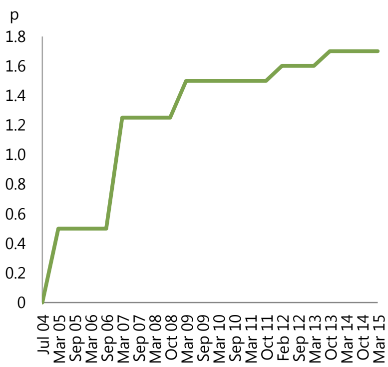
Portfolio analytics[2]	%
Standard deviation	1.90
Maximum drawdown	-7.36

[1]Including 25.9p of dividends
[2]Monthly data (Total Return NAV)

Percentage growth in total return NAV	
30 Jun 2014 – 30 Jun 2015	7.9
30 Jun 2013 – 30 Jun 2014	-2.6
30 Jun 2012 – 30 Jun 2013	13.8
30 Jun 2011 – 30 Jun 2012	-0.3
30 Jun 2010 – 30 Jun 2011	8.8
30 Jun 2009 – 30 Jun 2010	21.8
30 Jun 2008 – 30 Jun 2009	18.6

Source: RAIFM

Dividend history



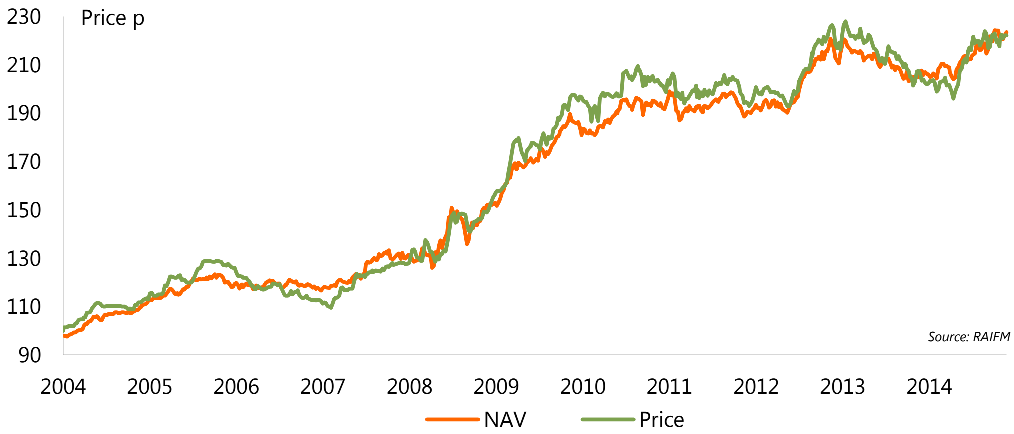
Source: RAIFM. Dividends are paid twice yearly. Please see overleaf for ex-dividend dates.

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

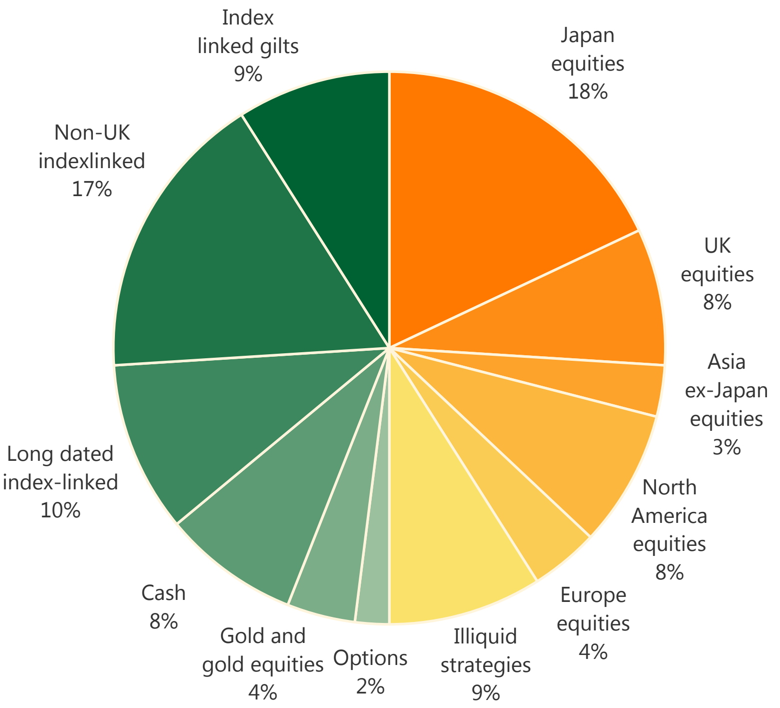
The net asset value as at 30 June was 218.76p, representing a fall of 2.2% during the month. The Company's share price rose by 0.3%. The FTSE All-Share total return index fell by 5.7% over the same period.

We have written on numerous occasions about the increasingly correlated nature of markets and the risk that this may pose to investors. For some time the rising tide of easy money and miserly deposit rates has pushed up most asset classes – be they equities, fixed income or real estate. Our response to this dangerous state of affairs has been to reduce the overall risk in the portfolio whilst also attempting to insulate it from any correlated fall in risk assets. June has demonstrated how difficult it can be when all markets fall in unison. Hiding places were few and far between but the company's portfolio was protected to some degree by our option exposure, where rising volatility and rising bond yields were the main driver of returns. The company's high weighting to sterling meant there was only a limited headwind to be suffered from sterling's continued strength.

When reviewing the last month one can hardly avoid mentioning events in Greece. Can we add any useful insight? Almost certainly not – the immediate decision is now a political rather than economic one. Please consider it mentioned. However, Greece does provide an interesting example of the thought process behind the Ruffer investment approach. The immediate problem in Greece is a short term issue – there may or may not be a fudge – but what is clear is that at some point this nettle (and others) will have to be grasped and that argues either for an exit or for a radically different political structure in Europe. Our approach is to be aware of the short term noise, but invest for the longer term event. Our present concern is much bigger than Greece but may be related. As previously mentioned, asset prices have been driven higher by monetary policy over the last six years, but anaemic growth has meant that the world's central banks have not been able to build up their defences (higher interest rates) for the next crisis. At the same time there is less liquidity in markets and risk averse investors have been pushed out of their comfort zone of cash by zero interest rates. If there is now a shock to financial markets then confidence will fall fast and the reaction of the authorities in the West will be all the more extreme. Fiscal stimulus? Currency wars? Negative interest rates becoming the norm? It is difficult to know whether Greece will be the catalyst to this reaction. Probably not, but who knows? It could just as easily be China, rate rises in the US or something else entirely, which we have not considered. In the last crisis the interesting question was not whether it would be Bear Stearns or Lehmans which would bring down the house of cards, but what would happen when the house of cards came down? This is how we view the current backdrop and for us it suggests both maintaining a defensive stance and ensuring that our defences are in the right places. It is in the reaction to the next crisis where the true risk lies, a reaction which we believe will have a strongly reflationary objective.

To end on a positive note, further progress has been seen in Japan particularly in terms of corporate governance reforms. Our Japanese team also noted on their recent visit to Tokyo that companies are starting to adopt a more positive outlook, and this has translated into a pickup in SME lending. The recent Tankan business confidence survey by the Bank of Japan appears to confirm this. While Japan is far from immune from the aforementioned risks, we consider it to be still the most attractive place to hold equity exposure.

Portfolio structure as at 30 Jun 2015



Source: RAIFM

NAV valuation point	Weekly – Friday midnight Last business day of the month
NAV	£337.8m (30 Jun 2015)
Shares in issue	154,413,416
Market capitalisation	£344.3m (30 Jun 2015)
No. of holdings	52 equities, 11 bonds (30 Jun 2015)
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
Graduated from Oxford in Philosophy, Politics and Economics and started work as an equity analyst at Confederation Life in 1987, where he became Head of Equities in charge of £5 billion 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.

Ten largest holdings* as at 30 Jun 2015

Stock	% of fund
1.875% Treasury index-linked 2022	6.2
1.25% Treasury index-linked 2055	5.6
US Treasury 1.125% TIPS 2021	4.7
0.375% Treasury index-linked 2062	4.3
US Treasury 0.625% TIPS 2021	4.0
US Treasury 0.125% TIPS 2023	3.6
US Treasury 0.375% TIPS 2023	3.3
T&D Holdings	2.5
Mizuho Financial	2.4
Gold Bullion Securities	2.4

Five largest equity holdings* as at 30 Jun 2015

Stock	% of fund
T&D Holdings	2.5
Mizuho Financial	2.4
Mitsubishi UFJ Finance	2.3
Sumitomo Mitsui Financial Group	2.0
The Boeing Company	1.5

**Excludes holdings in pooled funds*

Source: RAIFM

Company information

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
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

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Ruffer
The Ruffer Group manages investments on a discretionary basis for private clients, trusts, charities and pension funds. As at 30 June 2015, assets managed by the group exceeded £18.4bn.