RUFFER INVESTMENT COMPANY LIMITED

An alternative to alternative asset management

MARCH 2015
ISSUE 118

Share price as at 31 Mar 2015
222.50p

NAV as at 31 Mar 2015
Net Asset Value (per share)
219.73p

Premium/discount to NAV
As at 31 Mar 2015
1.3%

NAV total return[1]
Since inception
164.5%

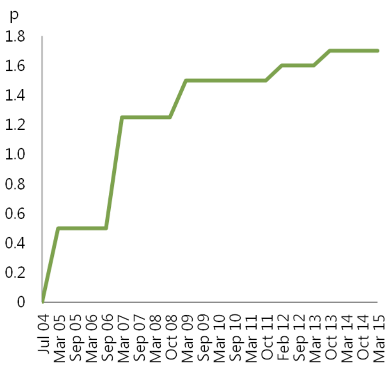
Portfolio analytics[2]	%
Standard deviation	1.90
Maximum drawdown	-7.36

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

Percentage growth in total return NAV	
31 Mar 2014 – 31 Mar 2015	8.6
31 Mar 2013 – 31 Mar 2014	-2.1
31 Mar 2012 – 31 Mar 2013	9.3
31 Mar 2011 – 31 Mar 2012	3.9
31 Mar 2010 – 31 Mar 2011	8.7
31 Mar 2009 – 31 Mar 2010	29.6
31 Mar 2008 – 31 Mar 2009	9.4

Source: RAIFM

Dividend history



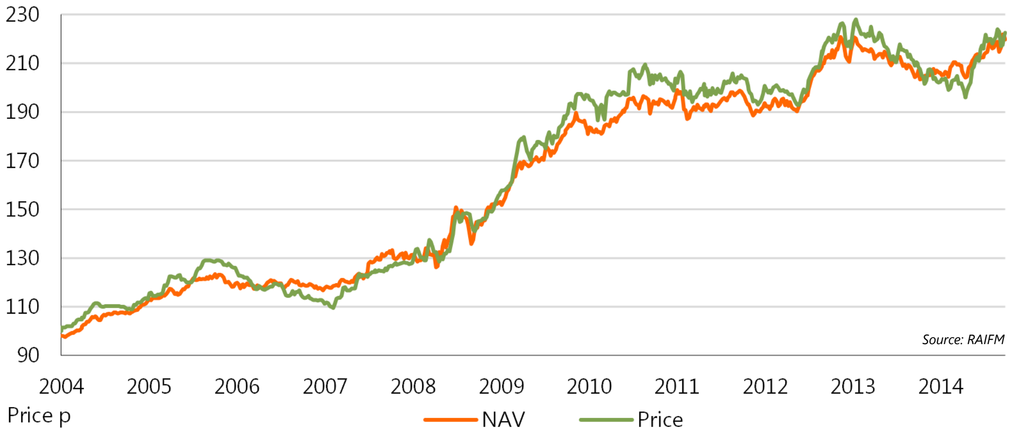
Source: RAIFM. Dividends are paid twice yearly. Please see overleaf for ex-dividend dates.

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

After allowing for the dividend paid during the month (1.7 pence per share) the net asset value rose by 1.2% in March. This compares with a fall of 1.7% in the FTSE All-Share Total Return index.

Most of the gains came from Japanese and eurozone equities, which continued to march upwards as if under central bank orders. Long dated index-linked gilts also bounced back from their February blues. The result could have been better had equities and our index-linked bonds had not suffered a joint bout of vertigo on the last day of the month. Looking back, the last 12 months have been unusually kind to us. Not only have our equities made useful gains (increasingly led by Japan) but our long-dated index-linked gilts have profited from the fall in bond yields at the long end of the curve, meaning that duration, which index-linked bonds have in buckets, was the key to strong performance. However, such sunny skies cannot be expected to last forever, and accordingly we have taken some profits in our equities and added to our protections against a back-up in bond yields. How successful these measures will prove only time will tell, but true to form we are focused more on fear than greed.

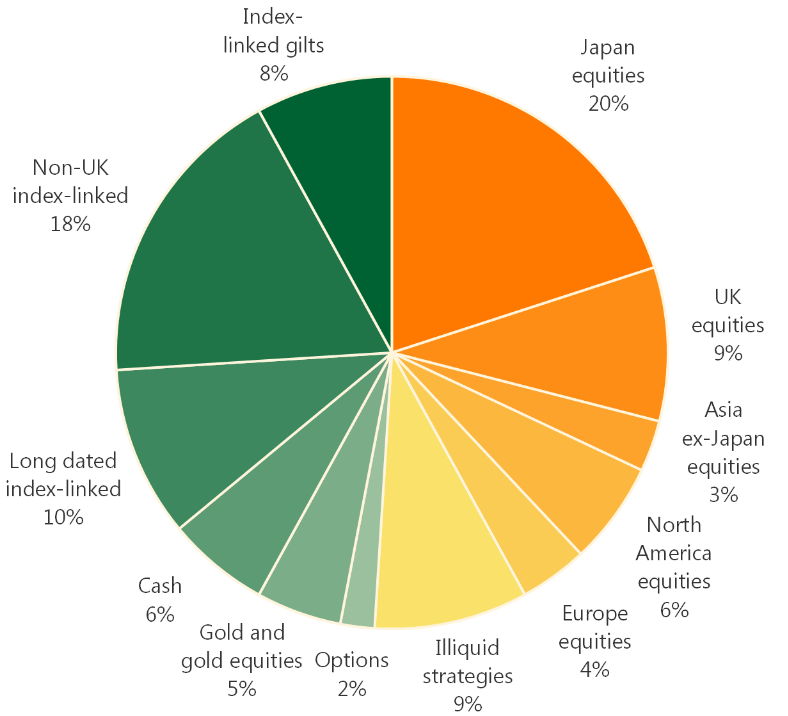
Returning to the present, March saw the European Central Bank (ECB) actually launch its trillion euro quantitative easing (QE) programme with the first official purchases of eurozone sovereign bonds on negative yields. This promptly pushed the euro down to a twelve year low of $1.06 against the dollar and was a major driver behind the strong returns from European equities in the month. Although our portfolio is focused more on the opportunities we see in the other region engaged in full scale QE (Japan), we do have some exposure to this theme including Volkswagen and German property (TAG Immobilien amongst others), both up over 30% this year. The currency exposure in these positions has been hedged back to sterling.

March also saw UK inflation officially fall to zero. The proximate cause of this was, of course, the oil price, but it does highlight the struggle central banks face, even in countries in recovery, to overcome the deflationary forces that persist hand in hand with the record high level of debt. Inflation matters because, with interest rates at or close to zero, a positive inflation reading is the only way to ensure negative real interest rates – the pre-requisite financial condition for survival under the burden of so much debt. This is one of the reasons why some bond yields in the eurozone have now hit seemingly nonsensical negative levels: you now pay the Germans, amongst others, for the privilege of letting you lend them money. The impact of this is not restricted just to the other side of the English Channel, it can also be seen in the apparently paradoxical move in our long-dated UK index-linked bonds to fresh highs within moments of UK inflation tumbling to zero. The back end of March also showed that the US central bank (Fed) both cares about the level of the dollar and, at least for now, retains the ability to control it. Markets, we feel, will be reassured that a few words from the Fed and a light touch on the steering wheel have been sufficient to halt the rising dollar, at least temporarily.

All of this points to the key role of central banks in today's markets. Before 2008 economic growth came largely from credit growth, an era that ended with the credit crisis; since then growth has only been achieved via higher asset prices, which are entirely linked to the actions of central banks. This puts central banks' credibility at significant risk. They are charged with the twin and potentially contradictory aims of 'getting the economy moving' whilst also 'maintaining financial stability'. The point is not that this is guaranteed to fail, but that the risk of serious damage to the credibility of central banks from any mishap is now very high, and if they lose their credibility who is there left to rescue the financial system? At the moment this situation is most evident in the eurozone, where the credibility of the ECB is on the line to deliver economic growth via higher asset prices, whilst still protecting the stability of the system.

Issued by Ruffer AIFM Limited (RAIFM), 80 Victoria Street, London SW1E 5JL. RAIFM is authorised and regulated by the Financial Conduct Authority. © RAIFM 2015

Portfolio structure as at 31 Mar 2015



Source: RAIFM

Ten largest holdings* as at 31 Mar 2015

Stock	% of fund
1.25% Treasury index-linked 2055	5.8
1.875% Treasury index-linked 2022	4.9
0.375% Treasury index-linked 2062	4.5
US Treasury 0.625% TIPS 2021	4.2
US Treasury 0.125% TIPS 2023	3.8
US Treasury 0.375% TIPS 2023	3.5
US Treasury 1.125% TIPS 2021	3.4
1.25% Treasury index-linked 2017	2.9
CF Ruffer Japanese Fund	2.7
Sumitomo Mitsui Financial Group	2.7

Five largest equity holdings* as at 31 Mar 2015

Stock	% of fund
Sumitomo Mitsui Financial Group	2.7
T&D Holdings	2.5
Mizuho Financial	2.1
Mitsubishi UFJ Finance	2.1
NTT Data Corporation	1.7

**Excludes holdings in pooled funds*

Source: RAIFM

NAV valuation point	Weekly – Friday midnight Last business day of the month
NAV	£338.6m (31 Mar 2015)
Shares in issue	154,113,416
Market capitalisation	£342.9m (31 Mar 2015)
No. of holdings	56 equities, 10 bonds (31 Mar 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
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	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

Enquiries

Ruffer AIFM Ltd
80 Victoria Street
London SW1E 5JL

Tel +44 (0)20 7963 8254
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 March 2015, assets managed by the group exceeded £18.5bn.

Issued by RAIFM, 80 Victoria Street, London SW1E 5JL. RAIFM is authorised and regulated by the Financial Conduct Authority. © RAIFM 2015