# RUFFER INVESTMENT COMPANY LIMITED

*An alternative to alternative asset management*

**APRIL 2014**
ISSUE 107

**Share price as at 30 Apr 2014**
**201.50p**

**NAV as at 30 Apr 2014**
Net Asset Value (per share)
**203.39p**

**Premium/(discount) to NAV**
As at 30 Apr 2014
**-0.9%**

**NAV total return[1]**
Since inception
**141.0%**

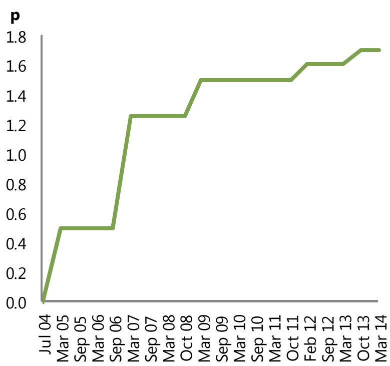
| Portfolio analytics[2] | % |
|---|---|
| Standard deviation | 1.96 |
| Maximum drawdown | -7.36 |

[1]*Including 24.2p of dividends*
[2]*Monthly data (Total Return NAV)*

| Percentage growth in total return NAV | |
|---|---|
| 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: Ruffer LLP*

**Dividend history**



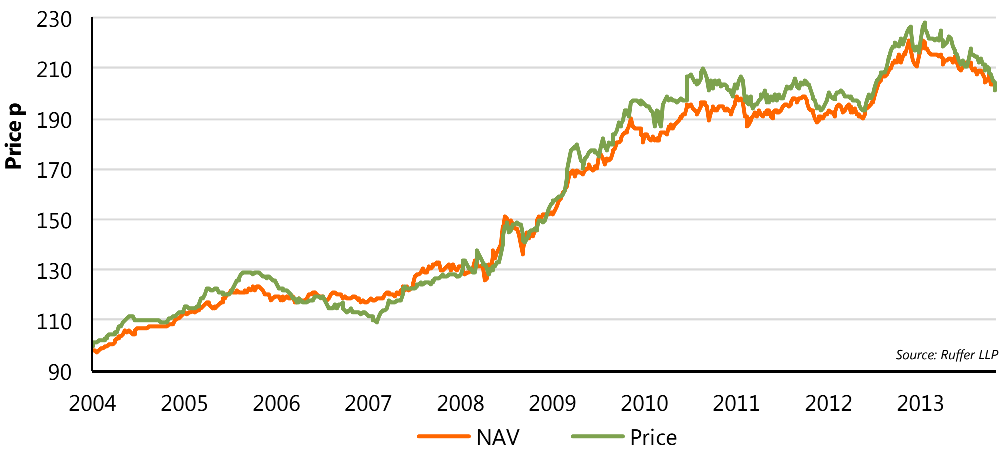

*Source: Ruffer LLP. Dividends are paid twice yearly. Please see overleaf for ex-dividend dates.*

**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 30 April was 203.39p representing a fall of 1.1% during the month compared with a rise of 2.2% in the FTSE All-Share Total Return Index.

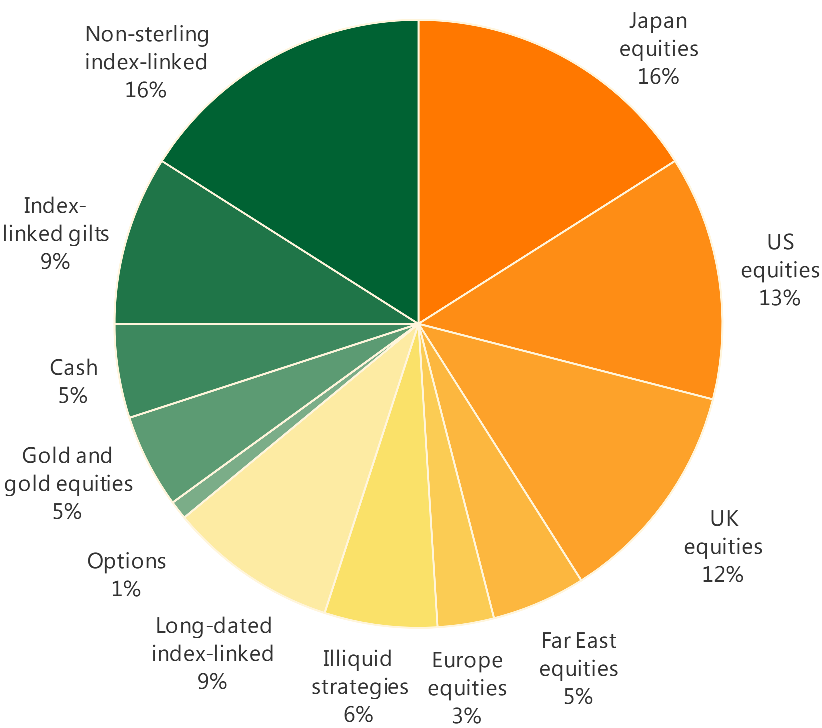
Index-linked bonds (both the UK and US varieties) continued to make a positive contribution adding 50bp to the return. Western equities were largely flat and options cost us 65bp, more than offsetting the gain in index-linked bonds. Japanese equities were a further detractor from performance costing the portfolio 50bps.

Japan has gone from hero to zero in a little over 12 months. While we are comfortably still in profit on our reflation trades in Japan (and we locked in some profits earlier this year) what is left has hurt us. Should we be reducing our exposure further? We think not. Some of the fair-weather participants who were out of the market for many years before last year's rally will have missed out by joining the party too late. They have been quick to sharpen their knives and declare Abenomics a flash in the pan and another example of a failed Japanese economic revival. They may be exerting selling pressure on the market but our meetings with the Bank of Japan and numerous companies in Japan suggest that Abe's program is on track. There is positive inflation (unimaginable 18 months ago) and wage growth. We are half way through the stimulus programme which has succeeded in delivering dramatic growth in corporate profitability which will feed through to consumers through salaries, bonuses and dividends. The government is preparing the ground for structural changes to employment law, agricultural reform and the introduction of corporate tax incentives. At the same time land prices in Tokyo are rising and the banking sector is willing and able to lend. We feel that this is an encouraging backdrop. We should not expect the same level of return as we saw last year but if a domestic recovery is achieved then the very low level of expectations in markets means that there is still plenty to go for.

Outside Japan we have continued to increase the exposure to 'old tech' stocks and now hold positions in Oracle, IBM and Qualcomm making up an overall weighting of 4%. These businesses are at the opposite end of the spectrum to the upstarts of social media and internet start-ups. They have mature businesses which are cash generative, profitable and derive a significant part of their profits from recurring (ie relatively stable) revenue streams. They remain reasonably valued and have not been caught up in the hype (and disappointment) of the recent tech mini-bubble.

The Company's share price fell from a 2.2% premium at 31 March to a 0.9% discount at 30 April. Such a move is demonstrative of the fact that our cautious stance is not currently being rewarded, and while the animal spirits bask in the sun an absolute return approach to investing remains deeply unfashionable. However, our objective continues to be to protect investors' capital over the longer term. This means taking positions now which will probably be non-consensual, could be uncomfortable but will hopefully bear fruit in the years to come. Sometimes, over short time scales, we require patience on the part of our investors while we focus on what lies ahead rather than what is currently the *de rigueur* investment trend; the least fashionable investments usually prove to be the most profitable.

## Portfolio structure as at 30 Apr 2014




*Source: Ruffer LLP*

### Ten largest holdings as at 30 Apr 2014

| Stock | % of fund |
|---|---|
| 1.25% Treasury index-linked 2017 | 7.2 |
| 1.25% Treasury index-linked 2055 | 5.6 |
| US Treasury 0.625% TIPS 2021 | 3.8 |
| US Treasury 1.625% TIPS 2018 | 3.8 |
| US Treasury 0.625% TIPS 2043 | 3.5 |
| 0.375% Treasury index-linked 2062 | 3.4 |
| BP | 3.2 |
| US Treasury 2.125% TIPS 2041 | 2.8 |
| T&D Holdings | 2.6 |
| CF Ruffer Japanese Fund | 2.2 |

### Five largest equity holdings* as at 30 Apr 2014

| Stock | % of fund |
|---|---|
| BP | 3.2 |
| T&D Holdings | 2.6 |
| IBM | 2.0 |
| Lockheed Martin | 1.7 |
| Annaly Capital Management | 1.7 |

**Excludes holdings in pooled funds*

*Source: Ruffer LLP*

| | |
|---|---|
| **NAV valuation point** | Weekly – Friday midnight<br>Last business day of the month |
| **NAV** | £313.2m (30 Apr 2014) |
| **Shares in issue** | 154,013,416 |
| **Market capitalisation** | £310.3m (30 Apr 2014) |
| **No. of holdings** | 59 equities, 10 bonds (30 Apr 2014) |
| **Share price** | Published in the Financial Times |
| **Market makers** | Canaccord Genuity<br>Cenkos Securities \| Numis Securities<br>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 |
| **NMPI status** | Excluded security |
| **Wrap** | ISA/SIPP qualifying |
| **Discount management** | Share buyback<br>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 |

**Enquiries**

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**Ruffer LLP**
Ruffer LLP manages investments on a discretionary basis for private clients, trusts, charities and pension funds. As at 30 April 2014, assets managed by the group exceeded £16.6bn.