



# RUFFER INVESTMENT COMPANY LIMITED

*An alternative to alternative asset management*

**AUGUST 2014**

ISSUE 111

**Share price as at 29 Aug 2014**

**203.13p**

**NAV as at 29 Aug 2014**

**210.04p**

**Premium/(discount) to NAV**

**-3.3%**

**NAV total return<sup>1</sup>**

**148.9%**

Portfolio analytics <sup>2</sup>	%
Standard deviation	1.93
Maximum drawdown	-7.36

<sup>1</sup>Including 24.2p of dividends

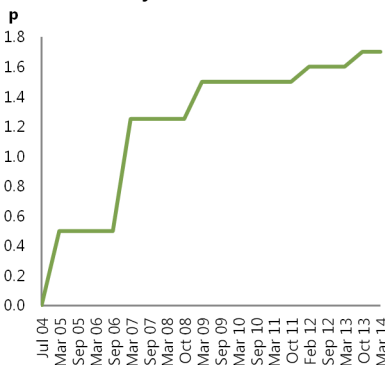
<sup>2</sup>Monthly data (Total Return NAV)

#### Percentage growth in total return NAV

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



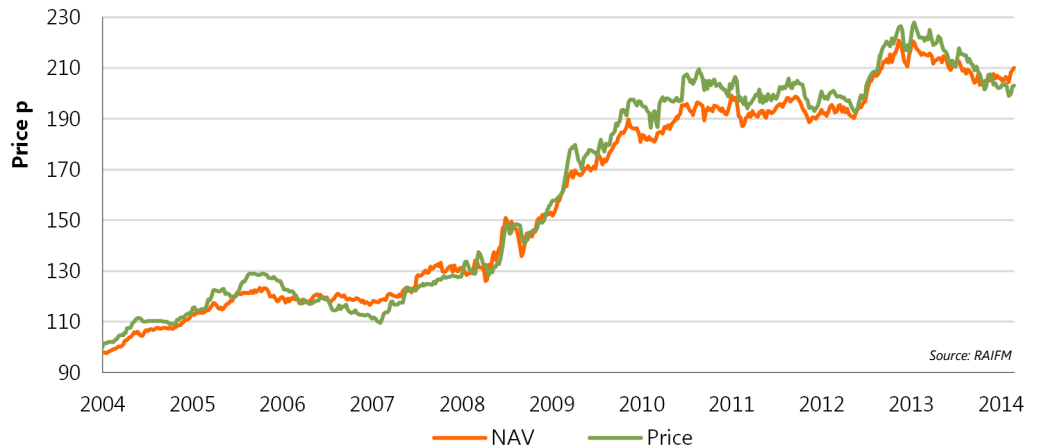
Source: RAIFM. Dividends are paid twice yearly. Please see overleaf for ex-dividend dates.

**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 at 31 August was 210.04p, representing a rise of 1.9% during the month. On a total return basis the FTSE All-Share rose by 2.2%. The Company's shares now trade at a 3.3% discount to net asset value.

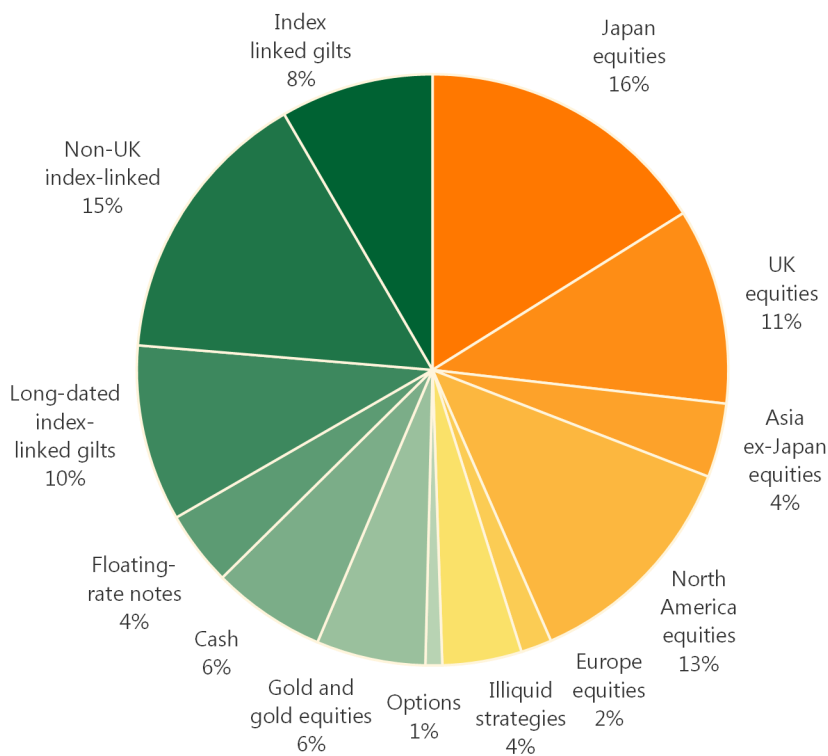
Further dollar strength helped performance during the month as the greenback appreciated by 1.7% against sterling; the company is currently 28% exposed to the dollar. Long dated index-linked bonds, both in the US and the UK, were also significant contributors adding 109bps to the return. They were beneficiaries of falling yields across government bond markets as breakeven rates (a proxy for inflation expectations) actually fell during August. Further positive contributions also came from western equities (54bps), gold (11bps) and options (16bps). The only blot on the copy book was the Japanese equity exposure (-49bps). Ordinarily it would be a cause for concern when all our asset classes rise in tandem (correlation works in both directions) but the performance during August owed much to the removal of headwinds that have been holding us back in recent months. If such correlation persists then it will require closer investigation but a single month is too short a time period on which to make judgements. Reassuringly the portfolio held up well through the equity blip at the start of the month – once again it is too short a time period on which to make concrete judgements but it is reassuring to see the portfolio offsets doing their job.

Japan's brief appearance as (an almost) consensus buy in 2012/13 has proved to be short lived and it is once again unloved and the bears are sharpen-

ing their knives. Investors may remember that we cautiously reduced our exposure to 15% in the first quarter of the year prior to the sales tax rise, but remained optimistic about the longer term outlook. The dust from the sales tax increase is now settling. Some macro indicators have not recovered as quickly as one might have expected; notably retail sales in July were flat and industrial production rose less than expected. However, Kuroda has been vocal in reminding the market that the Bank of Japan has sufficient firepower to carry out additional stimulus if required, the yen has been falling in recent days in anticipation and the TOPIX is within touching distance of its January peak. Our window into corporate Japan suggests that at ground level companies are still on the front foot and earnings revisions are likely to be upwards rather than downwards. In the second quarter a fifth of companies beat earnings estimates by more than 5% and operating profits grew in the region of 10% on an annualised basis. There had already been downward revisions to allow for the sales tax impact and these look overdone. We also saw further encouraging signs of wage growth in the second quarter – a key part of Abe's jigsaw of structural economic reform.

Most of the trading activity took place during the first half of the month when we shortened the duration of our US index-linked bonds after the recent strong performance of the long TIPS, increased our dollar exposure to build more protection into the portfolio and reduced our equity exposure to around 43%.

## Portfolio structure as at 29 Aug 2014



Source: RAIFM

## Ten largest holdings as at 29 Aug 2014

Stock	% of fund
1.25% Treasury index-linked 2017	6.9
1.25% Treasury index-linked 2055	6.0
US Treasury FRN 2016	4.1
US Treasury 0.625% TIPS 2021	4.0
US Treasury 1.625% TIPS 2018	3.8
0.375% Treasury index-linked 2062	3.7
US Treasury 0.625% TIPS 2043	2.9
Gold Bullion Securities	2.6
CF Ruffer Japanese Fund	2.3
US Treasury 2.125% TIPS 2041	2.3

## Five largest equity holdings\* as at 29 Aug 2014

Stock	% of fund
Mitsubishi UFJ Finance	2.1
BP	2.1
T&D Holdings	2.1
IBM	2.0
Lockheed Martin	1.8

\*Excludes holdings in pooled funds

Source: RAIFM

### NAV valuation point

Weekly – Friday midnight  
Last business day of the month

### NAV

£323.5m (29 Aug 2014)

### Shares in issue

154,013,416

### Market capitalisation

£312.8m (29 Aug 2014)

### No. of holdings

58 equities, 12 bonds (29 Aug 2014)

### Share price

Published in the Financial Times

### Market makers

Canaccord Genuity  
Cenkos Securities | Numis Securities  
JPMorgan Cazenove | Winterflood Securities

## 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

### Charges

Annual management charge 1.0%  
with no performance fee

### Enquiries

Tel +44 (0)20 7963 8254  
RAIFM Fax +44 (0)20 7963 8175  
80 Victoria Street rif@ruffer.co.uk  
London SW1E 5JL www.ruffer.co.uk

### Ruffer

The Ruffer Group manages investments on a discretionary basis for private clients, trusts, charities and pension funds. As at 29 August 2014, assets managed by the group exceeded £17.2bn.



### 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 moved to HSBC Investment Bank as Head of UK and European Equity Strategy, before joining the Ruffer Group 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.