

Ruffer Investment Company Limited

An alternative to alternative asset management



August 2015 Issue 123

The net asset value as at 28 August 2015 was 213.9p, representing a fall of 2.2% over the month. The Company's share price declined by 1.3%. This compared with a fall of 5.3% in the FTSE All-Share total return index.

Investment markets often suffer the unhelpful phenomenon whereby the apparent solution of one problem brings another unrelated one in its wake; a sort of financial 'whack-a-mole'. No sooner had Greece been deemed solved (for the moment), than a small currency devaluation by the Chinese authorities brought forth a torrent of panic about slowing Chinese economic growth, consequent deflationary risks, and further currency wars. Whether absolutely reliable or not, economic data from China had been pointing to a deceleration in growth for some time, and while falling commodity prices are linked with increased supply, as with shale oil, lower Chinese demand has also been part of the story. These concerns, arriving simultaneously with the latest game of 'will they, won't they?' from the Federal Reserve, served to drive equities sharply lower and to rouse volatility from its previous slumbers.

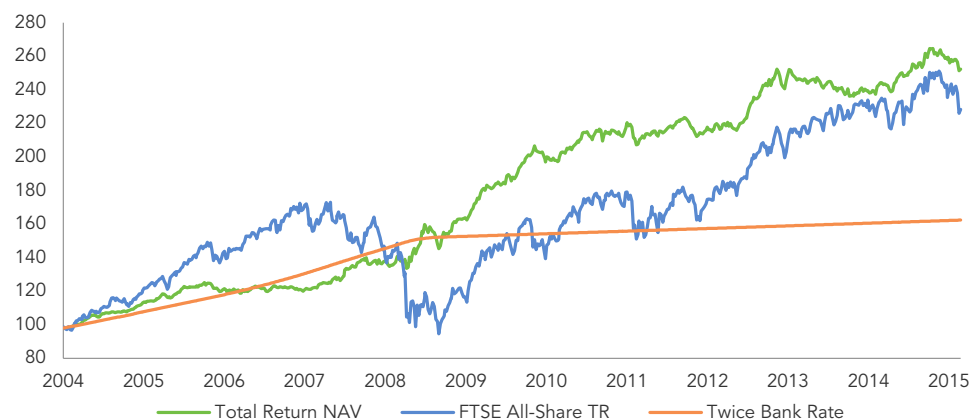
Although we have long been concerned about the possibility of a major correlated sell-off in which protections could be hard to find, we are not convinced that we are yet at a climactic point. Economic growth remains respectable in the US and UK, and even in the previously beleaguered eurozone, easing credit conditions and falling energy prices are bringing about a recovery of sorts. However, and more worryingly, last month's trading patterns drew attention to the presence in several asset classes of crowded trades and limited liquidity, making the reversal of such positioning only feasible at much lower prices, if at all. The last week of August witnessed several examples where sub-sectors of the financial system practically seized up, forcing investors to implement alternative strategies in the absence of being able to execute those originally contemplated. Double-digit falls witnessed in many US blue-chip equities at the market open on 24 August were, for example, the precise consequence of investors being unable to hedge positions in the futures market, which had temporarily ceased to function. It remains a notable unintended consequence of the post-2008 desire to make investment banks 'safer' by telling them to shrink, that certain asset markets are now more treacherous given lower liquidity. This phenomenon has been paradoxically exacerbated by central banks' asset purchase programmes, with high quality assets worth billions of pounds now effectively out of circulation. For all these reasons 'flash crashes', the partial seizing of markets and spikes in volatility, are likely to be part of the investment scene going forward.

While registering a loss is always disappointing it was somewhat heartening to see that in August there was at least an element of mitigation from the fund's protective positions, concentrated in call options on the VIX. Elsewhere the portfolio's equity holdings lost ground, and with deflationary fears abounding inflation-linked bonds declined slightly as falling inflation breakevens offset lower nominal yields. Without seeking excuses, we are acutely aware that the biggest challenge to our style of investment is finding appropriate and genuinely uncorrelated offsets to our equity holdings. This is especially true when many traditional havens have now precisely forfeited their safety by dint of price. The old adage that at times of extreme stress the only thing that goes up is correlation, remains unfortunately true and thus the role of our option book and asset allocation will remain critical.

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.

Performance since launch on 8 July 2004



Performance %	August 2015	Year to date	1 year	3 years	5 years	10 years
Total return NAV	-2.2	1.5	3.3	16.6	27.4	119.8
Share price TR ¹	-1.4	2.4	8.9	15.3	23.7	122.5

¹Assumes re-investment of dividends

Percentage growth in total return NAV	%	As at 28 August 2015	p
30 Jun 2014 – 30 Jun 2015	7.9	Share price	219.75
30 Jun 2013 – 30 Jun 2014	-2.6	Net Asset Value (NAV) per share	213.90
30 Jun 2012 – 30 Jun 2013	13.8		%
30 Jun 2011 – 30 Jun 2012	-0.3	Premium/discount to NAV	2.7
30 Jun 2010 – 30 Jun 2011	8.8	NAV total return since inception ²	157.5
		Standard deviation ³	1.90
		Maximum drawdown ³	-7.36

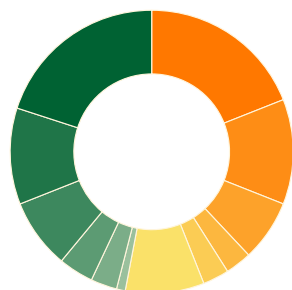
Source: Ruffer AIFM Limited

²Including 27.6p of dividends ³Monthly data (total return NAV)

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.

Ruffer Investment Company Limited as at 28 August 2015

Portfolio structure



Asset allocation	%		%
● Non-UK index-linked	20	● Japan equities	19
● Long dated index-linked	11	● North America equities	12
● Index-linked gilts	8	● UK equities	7
● Cash	4	● Asia ex-Japan equities	3
● Gold and gold equities	3	● Europe equities	3
● Options	1	● Illiquid strategies	9



Currency allocation	%
● Sterling	80
● US dollar	8
● Yen	6
● Gold	3
● Other	3

5 largest of 10 bond holdings

Stock	% of fund	Stock	% of fund
1.875% Treasury index-linked 2022	6.3	Mizuho Financial	2.5
1.25% Treasury index-linked 2055	6.0	T&D Holdings	2.4
0.375% Treasury index-linked 2062	4.7	Mitsubishi UFJ Finance	2.2
US Treasury 0.625% TIPS 2021	4.1	Sumitomo Mitsui Financial Group	2.1
US Treasury 1.125% TIPS 2021	4.1	Resona Holdings	1.6

Source: Ruffer AIFM Limited

5 largest of 52 equity holdings*

Stock	% of fund
Mizuho Financial	2.5
T&D Holdings	2.4
Mitsubishi UFJ Finance	2.2
Sumitomo Mitsui Financial Group	2.1
Resona Holdings	1.6

*Excludes holdings in pooled funds

The views expressed in this report are not intended as an offer or solicitation for the purchase or sale of any investment or financial instrument. The views reflect the views of RAIFM at the date of this document and, whilst the opinions stated are honestly held, they are not guarantees and should not be relied upon and may be subject to change without notice.

The information contained in this document does not constitute investment advice and should not be used as the basis of any investment decision. References to specific securities are included for the purposes of illustration only and should not be construed as a recommendation to buy or sell these securities. RAIFM has not considered the suitability of this fund against any specific investor's needs and/or risk tolerance. If you are in any doubt, please speak to your financial adviser.

The fund data displayed is designed only to provide summary information and the report does not explain the risks involved in investing in the fund. Any decision to invest must be based solely on the information contained in the Prospectus and the latest report and accounts.

NAV £330.8m Market capitalisation £339.8m Shares in issue 154,638,416

Company information

Annual management charge (no performance fee)	1.0%
Total Expense Ratio	1.18%
Ex dividend dates	March, September
NAV valuation point	Weekly – Friday midnight Last business day of the month
Stock ticker	RICA LN
ISIN	GB00B018CS46
SEDOL	B018CS4
Investment Manager	Ruffer AIFM Limited
Administrator	Northern Trust International Fund Administration Services (Guernsey) Limited
Custodian	Northern Trust (Guernsey) Limited
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

Managers

Hamish Baillie

INVESTMENT DIRECTOR



A graduate of Trinity College Dublin, he joined the Ruffer Group in 2002. Founded and manages the Edinburgh office of Ruffer LLP and is a director of Ruffer (Channel Islands) Limited. He also manages

investment portfolios for individuals, trusts, charities and pension funds and is a member of the Chartered Institute for Securities & Investment.

Steve Russell

INVESTMENT DIRECTOR



Graduated from Oxford in PPE and started work as an equity analyst at Confederation Life in 1987, progressing to Head of Equities. In 1999 he moved to HSBC Investment Bank as Head of UK and European

Equity Strategy, before joining Ruffer in 2003. He is also co-manager of the CF Ruffer Total Return Fund.

Ruffer

The Ruffer Group manages investments on a discretionary basis for private clients, trusts, charities and pension funds. As at 31 August 2015, assets managed by the group exceeded £18.2bn.

Enquiries

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