

Ruffer Investment Company Limited

An alternative to alternative asset management



September 2015 Issue 124

The net asset value as at 30 September was 207.14p, representing a fall of 3.2% over the month. This compared with a fall of 2.7% in the FTSE All-Share total return index.

September has rounded off what has been a difficult quarter for both the Company and risk assets in general. Indeed the third quarter proved to be the weakest quarter for stock markets for some years, many suffering their worst quarter since 2008 and the extent and distribution of the falls have hurt the portfolio. While we have avoided much of the damage in the commodity and emerging market areas, the pain has been fairly universal and previously profitable positions such as Japanese equities have been hit particularly hard for two reasons. Firstly, Japan was the best performing developed market by some distance in the first half of the year and secondly its position as the most liquid market in Asia made it the easiest place to fund redemptions as concerns over sliding commodity prices and deteriorating conditions in emerging markets turned into panic when the Chinese authorities adjusted their currency peg in August and suspended trading in over two thirds of listed companies.

The bond holdings in the portfolio provided only a muted offset, as duration did not provide the same convex return it did earlier in the year as market participants focused on the prospect of the Fed raising rates in September. Should the current environment persist we believe these positions could re-emerge as a powerful offset as the prospect of further stimulus from central banks and governments increases. This view was reinforced by the inaction of Janet Yellen and the Federal Reserve in September. By all accounts the US economy is performing well; unemployment is approaching 'natural' levels and the consumer is recovering strongly. However, in postponing the much discussed first rate rise, the Fed has shown itself to be in hock to financial markets. So whilst deflationary conditions persist the authorities are likely to remain in stimulatory mood, providing support to assets prices.

Option positions, specifically VIX (volatility) calls, delivered potent protection in August. While we took some profits in these positions we thought it unwise to sell them all in the event that the sell-off in markets accelerated. In fact volatility subsided from its highs and the value of these options fell back, weighing on performance in September. The somewhat perverse result is that the Company fared better in the heat of battle in August than it did in less pernicious conditions of September.

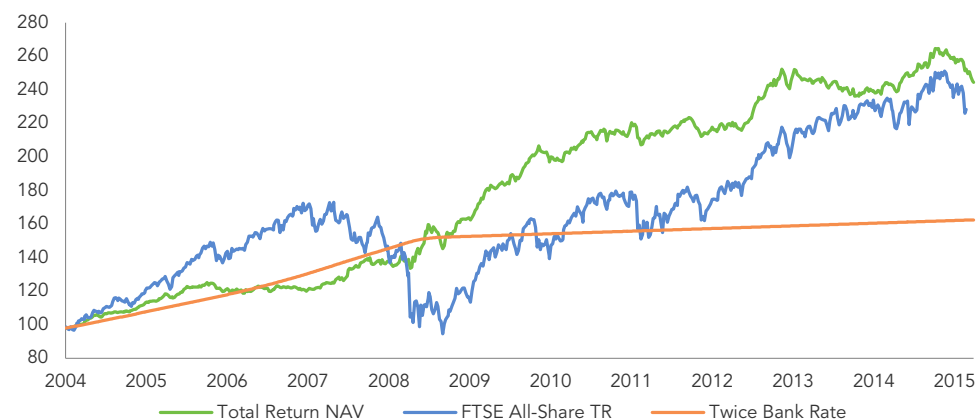
From our perspective, it is not yet clear that the current market pessimism is entirely warranted but we are conscious that market falls can become self-feeding. Although recent developed market economic data has not been especially weak, that is not a reason for complacency – the reaction of markets to the Fed's decision not to raise interest rates suggests further volatility ahead.

A trip to Japan two weeks ago let us re-test our views and provided reassurance, despite the recent weakness of our holdings. Indeed Japanese corporate profits are at all-time highs and what is already the most optimistic outlook among major markets is being revised up, not down. Sentiment on emerging markets and related areas such as commodities also now appears to be excessively negative, impacting equity markets in general and discounting a weaker environment than we see. Therefore we are maintaining our equity weighting and looking for opportunities to add to oversold positions.

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, supnationals or government organisations.

Performance since launch on 8 July 2004



Performance %	September 2015	Year to date	1 year	3 years	5 years	10 years
Total return NAV	-3.2	-1.7	0.7	11.8	20.9	106.3
Share price TR ¹	-5.8	-3.2	3.8	9.0	12.8	97.7

¹Assumes re-investment of dividends

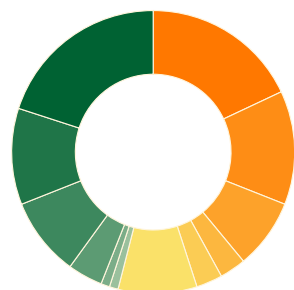
Percentage growth in total return NAV	%	As at 30 September 2015	p
30 Sep 2014 – 30 Sep 2015	0.7	Share price	207.00
30 Sep 2013 – 30 Sep 2014	-0.6	Net Asset Value (NAV) per share	207.14
30 Sep 2012 – 30 Sep 2013	11.7		%
30 Sep 2011 – 30 Sep 2012	2.3	Premium/discount to NAV	-0.1
30 Sep 2010 – 30 Sep 2011	5.6	NAV total return since inception ²	149.4
		Standard deviation ³	1.92
		Maximum drawdown ³	-7.36

Source: Ruffer AIFM Limited

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

Ruffer Investment Company Limited as at 30 Sep 2015

Portfolio structure



Asset allocation	%		%
● Non-UK index-linked	20	● Japan equities	18
● Long dated index-linked	11	● North America equities	13
● Index-linked gilts	9	● UK equities	8
● Gold and gold equities	4	● Asia ex-Japan equities	3
● Options	1	● Europe equities	3
● Cash	1	● Illiquid strategies	9



Currency allocation	%
● Sterling	71
● Yen	11
● US dollar	9
● Gold	4
● Other	5

5 largest of 10 bond holdings

Stock	% of fund
1.875% Treasury index-linked 2022	6.5
1.25% Treasury index-linked 2055	6.1
0.375% Treasury index-linked 2062	4.7
US Treasury 0.625% TIPS 2021	4.3
US Treasury 1.125% TIPS 2021	4.2

Source: Ruffer AIFM Limited

5 largest of 57 equity holdings*

Stock	% of fund
Mizuho Financial	2.3
T&D Holdings	2.2
Mitsubishi UFJ Finance	2.0
Sumitomo Mitsui Financial Group	2.0
Resona Holdings	1.7

*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 £320.3m Market capitalisation £320.1m 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 30 September 2015, assets managed by the group exceeded £17.7bn.

Enquiries

Ruffer AIFM Ltd	+44 (0)20 7963 8254
80 Victoria Street	rif@ruffer.co.uk
London	
SW1E 5JL	www.ruffer.co.uk