

Ruffer Investment Company Limited

An alternative to alternative asset management



October 2015 Issue 125

The net asset value as at 30 October was 211.1p, representing a rise of 1.9% over the month. This compared with a rise of 4.7% in the FTSE All-Share Total Return index.

There is an old saying 'stock markets aim to cause the most pain to the most people' and after a bruising month like September perhaps participants had become too pessimistic and the pain trade turned out to be the snapback rally across risk assets we saw this month. Whatever the reason, the bounce back in equities helped our portfolio recover much of the losses of last quarter, especially with Japan leading the rally. Positive contributions came from western equities (+2.3%), where Boeing and Microsoft in particular posted strong results, and our Japanese financial stocks (+1.5%) outperformed the Japanese market (itself up around 10%). The storm clouds of the third quarter have lifted and most markets are back into positive territory for the year. However, there have been casualties – performance across managers and across sectors has been diverging and this dispersion is potentially signalling a new market regime.

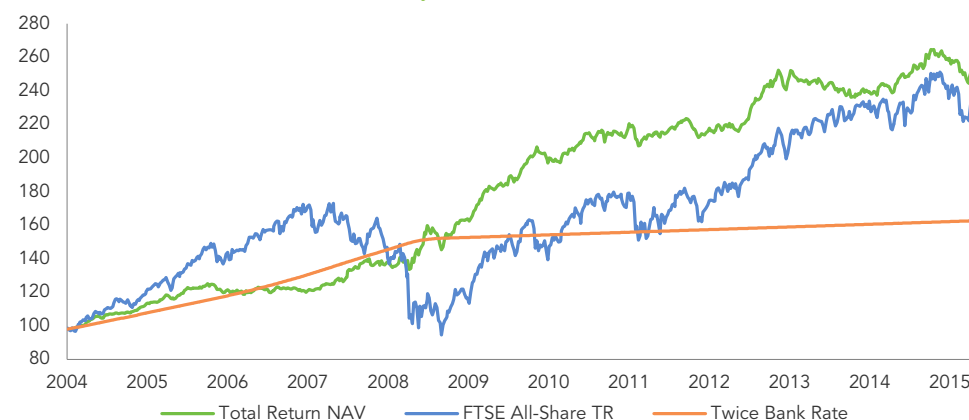
The global monetary policy environment continues to be one of shifting sands and evolving opinions. Recently, Mario Draghi alluded to the European Central Bank's (ECB) need to consider 'all the options' available to stave off deflation and hinted at an imminent rate cut, moving deeper into negative interest rates. Whilst, in the Financial Times, Wolfgang Münchau (associate editor) has published articles which champion giving each EU citizen a cheque for €5,000. If this doesn't take care of the 'inflation problem' (remember stable or falling prices really are a problem in an overly indebted world) then the ECB should send another cheque. Willem Buiter, Chief Economist at Citi and Andy Haldane at the Bank of England have both proposed the abrogation of cash. These are quite incredible ideas proposed by credible people. A key feature of today's environment is the confidence placed in the success of radical policy experiments and a failure to concede the inevitability of some negative unforeseen consequences. One interesting distinction is unlike quantitative easing, so called 'helicopter drops' or outright monetary finance cannot be undone – that genie does not go back into the bottle. While we do not know what the unintended consequences might be, history cautions us not to expect a free lunch.

Across the Atlantic, the 'will they, won't they' two-step on rate hikes has pirouetted once again and the Fed governors are now making hawkish noises, signalling a move before the year-end. This time around markets have reacted positively to this development and the signal it sends over the Fed's economic confidence. Additionally, it suggests September's confused communication and non-hike was just the first policy mistake of what will be a treacherous exit from zero rates. If the Fed hikes rates and the ECB cuts rates in the same month it will be the first time since May 1994 – a stark indication of the perceived diverging economic performance on either side of the Atlantic.

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 %	October 2015	Year to date	1 year	3 years	5 years	10 years
Total return NAV	1.9	0.2	2.2	14.7	22.0	113.5
Share price TR ¹	2.3	-0.9	5.9	12.7	15.8	102.7

¹Assumes re-investment of dividends

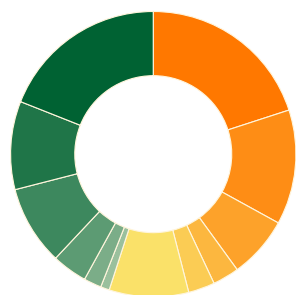
Percentage growth in total return NAV	%	As at 30 October 2015	p
30 Sep 2014 – 30 Sep 2015	0.7	Share price	212.00
30 Sep 2013 – 30 Sep 2014	-0.6	Net Asset Value (NAV) per share	211.10
30 Sep 2012 – 30 Sep 2013	11.7		%
30 Sep 2011 – 30 Sep 2012	2.3	Premium/discount to NAV	0.4
30 Sep 2010 – 30 Sep 2011	5.6	NAV total return since inception ²	154.1
		Standard deviation ³	1.92
		Maximum drawdown ³	-7.36

Source: Ruffer AIFM Limited

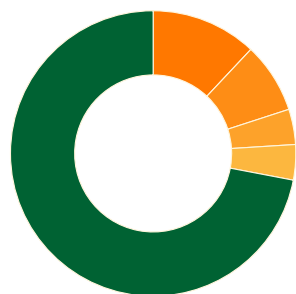
²Including 29.3p of dividends ³Monthly data (total return NAV)

Ruffer Investment Company Limited as at 30 Oct 2015

Portfolio structure



Asset allocation	%		%
● Non-UK index-linked	19	● Japan equities	20
● Long dated index-linked	10	● North America equities	13
● Index-linked gilts	9	● UK equities	7
● Gold and gold equities	4	● Asia ex-Japan equities	3
● Cash	2	● Europe equities	3
● Options	1	● Illiquid strategies	9



Currency allocation	%
● Sterling	72
● Yen	12
● US dollar	8
● Gold	4
● Other	4

5 largest of 10 bond holdings

Stock	% of fund
1.875% Treasury index-linked 2022	6.3
1.25% Treasury index-linked 2055	5.9
0.375% Treasury index-linked 2062	4.6
US Treasury 0.625% TIPS 2021	4.1
US Treasury 1.125% TIPS 2021	4.0

Source: Ruffer AIFM Limited

5 largest of 59 equity holdings*

Stock	% of fund
Mizuho Financial	2.5
T&D Holdings	2.4
Mitsubishi UFJ Finance	2.2
Sumitomo Mitsui Financial Group	2.0
The Boeing Company	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 £326.4m Market capitalisation £327.8m 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 October 2015, assets managed by the group exceeded £18.2bn.

Enquiries

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