

**MARCH 2014**

ISSUE 106

Share price as at 31 Mar 2014**210.00p****NAV as at 31 Mar 2014**

Net Asset Value (per share)

205.58p**Premium/(discount) to NAV**

As at 31 Mar 2014

2.2%**NAV total return¹**

Since inception

143.6%**Portfolio analytics²****%**

Standard deviation 1.96

Maximum drawdown -7.36

¹Including 24.2p of dividends²Monthly 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

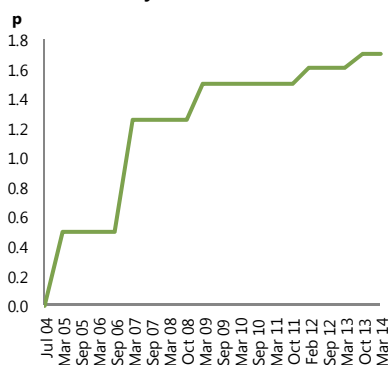
31 Mar 2011 – 31 Mar 2012 3.9

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.

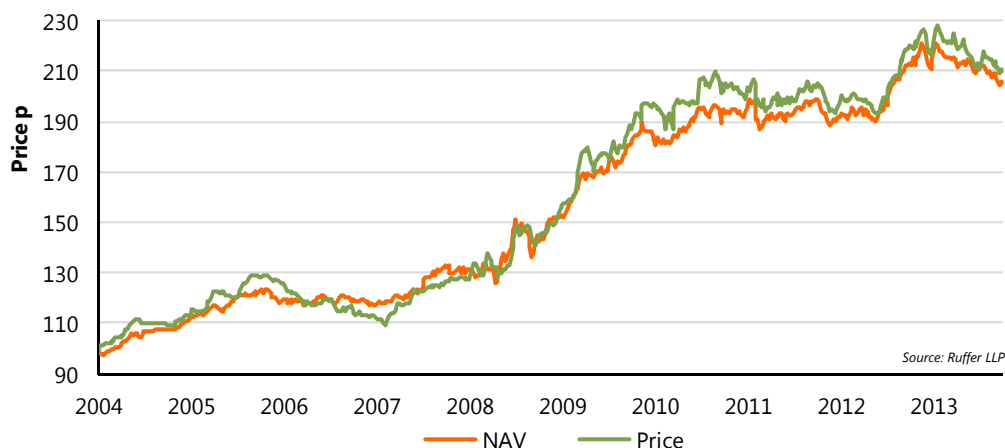
RUFFER INVESTMENT COMPANY LIMITED

An alternative to alternative asset management

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

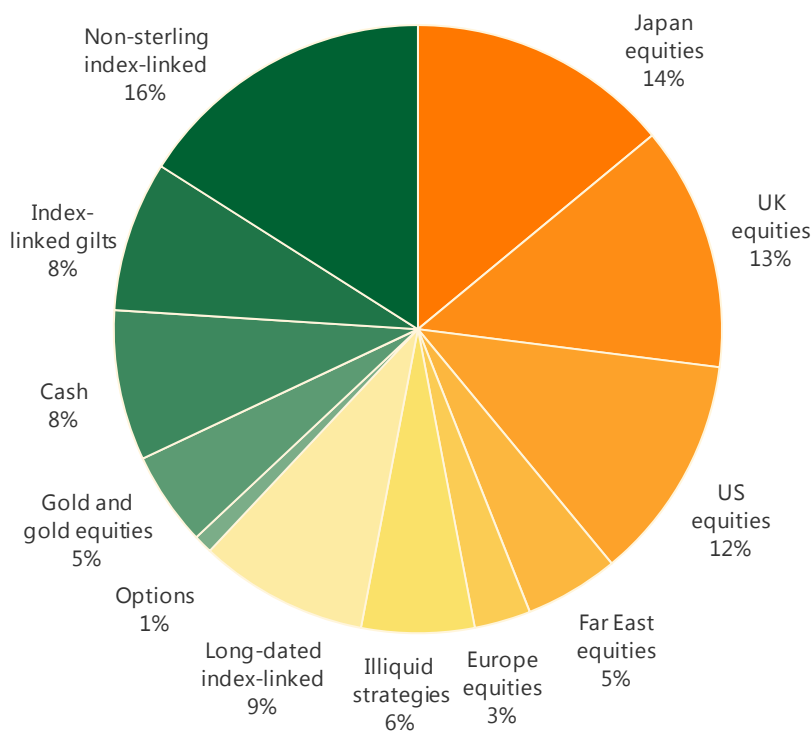
The net asset value at 31 March was 205.58p. After allowing for the dividend of 1.7p paid during the month this represents a fall of 0.8% since the end of February. The FTSE All-Share total return index fell 2.6% over the same period.

Markets returned to risk-off mode during March on the back of geopolitical concerns surrounding events in Ukraine and US economic numbers were stuck in limbo as commentators remained undecided as to whether indications of slowing economic growth at the start of the year were snow-induced or the beginning of something more sinister. Time will tell but recent hawkish comments from the Federal Reserve would suggest the former scenario is more likely. However, that is not necessarily the end of it. Comments from Yellen, Stein and Fisher at the Fed suggest that there is a growing consensus amongst policy makers in the US that ultra-loose monetary policy cannot be allowed to continue to increase the level of risk taking and push up asset prices indefinitely. Yellen quantified the amount of time between QE ending and interest rates rising as being 'about six months' – surprisingly precise for a Fed spokesperson. Jeremy Stein's commentary on financial stability last year gave impetus to the notion of tapering quantitative easing and so a similar withdrawal of monetary support from here may follow. Since the month end he has announced his retirement from the Fed to return to academia. In short, the message is that taking some steam out of frothy markets and inducing an equity market setback is a price worth paying to avoid a bigger problem further down the road. This might dent confidence but at some stage bubbles have to be pricked, and everyone knows that gently deflating a bubble is easier said than done. The initial effects of this change in rhetoric can be seen in markets; 'hope' stocks such as the biotech sector and young tech companies have seen a marked increase in volatility. Within the Ruffer Investment Company we have kept our protective assets in place and marginally reduced our overall equity exposure.

Much of our option protection needs a bigger move than we have seen in the last month to start to earn its keep, but it should perform well if we see a sharp fall in markets and an increase in volatility. It is impossible to time these things and as ever our preference is to have defensive positions in place ahead of time.

On a brighter note, we mentioned earlier in the year the importance of the annual wage negotiations in Japan. This is a key part of Prime Minister Abe's financial reform agenda. These negotiations are now broadly complete and we have seen the first wage growth in Japan for 15 years. Total pay is up 2-3% on average, (positive in real terms), and the all-important rise in base salaries has also been achieved. The naysayers will claim that the rise was too small to have a material impact on consumer psychology and change their propensity to save rather than spend. However, this is the first part of a long term change of direction, and the effects of real wage growth when workers have seen their salaries decline for so long should not be underestimated. Companies were never going to give away too many goodies in one go, as they will want to see the reward of lower corporation tax rates and employment reform before they can raise wages further. On the other hand, dividends have hit record levels in absolute terms in Japan (an average yield of 1.8% across all listed companies). This shows that companies are feeling more confident and shareholders are seeing the benefits of last year's stellar corporate results, (profits up by 54% across listed companies). There were also some fascinating insights into the pact between Abe and the corporate sector in the shunto results. Toshiba's announcement of salary increases was accompanied by the statement 'With this agreement we aim to contribute to the creation of the virtuous economic circle advocated by the Japanese government'. This sort of unity greatly increases the chances of success for Abenomics.

Portfolio structure as at 31 Mar 2014



Source: Ruffer LLP

Ten largest holdings as at 31 Mar 2014

Stock	% of fund
1.25% Treasury index-linked 2017	7.1
1.25% Treasury index-linked 2055	5.5
US Treasury 0.625% TIPS 2021	3.8
US Treasury 1.625% TIPS 2018	3.7
US Treasury 0.625% TIPS 2043	3.4
0.375% Treasury index-linked 2062	3.3
BP	3.0
US Treasury 2.125% TIPS 2041	2.7
T&D Holdings	2.6
CF Ruffer Japanese Fund	2.3

Five largest equity holdings* as at 31 Mar 2014

Stock	% of fund
BP	3.0
T&D Holdings	2.6
IBM	2.0
M1 Limited	1.7
Lockheed Martin	1.7

*Excludes holdings in pooled funds

Source: Ruffer LLP

NAV valuation point

Weekly – Friday midnight
Last business day of the month

NAV

£316.6m (31 Mar 2014)

Shares in issue

154,013,416

Market capitalisation

£323.4m (31 Mar 2014)

No. of holdings

59 equities, 10 bonds (31 Mar 2014)

Share price

Published in the Financial Times

Market makers

Canaccord Genuity
Cenkos Securities | Numis Securities
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 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

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Ruffer LLP

Ruffer LLP manages investments on a discretionary basis for private clients, trusts, charities and pension funds. As at 31 March 2014, assets managed by the group exceeded £16.7bn.