



RUFFER INVESTMENT COMPANY LIMITED

An alternative to alternative asset management

DECEMBER 2012

ISSUE 91

Share price as at 31 Dec 2012

199.25p

NAV as at 31 Dec 2012

Net Asset Value (per share)

196.78p

Premium/(discount) to NAV

As at 31 Dec 2012

1.3%

RIC A Class since inception

Total Return (NAV)¹

127.7%

£ Statistics since inception

Standard deviation ²	2.00%
Maximum drawdown ³	-7.36%

¹Including 19.2p of dividends

²Monthly data (Total Return NAV)

³Monthly data (Total Return NAV)

Percentage growth in total return NAV

31 Dec 2011 – 31 Dec 2012	3.4
31 Dec 2010 – 31 Dec 2011	0.7
31 Dec 2009 – 31 Dec 2010	16.5
31 Dec 2008 – 31 Dec 2009	15.1
31 Dec 2007 – 31 Dec 2008	23.8

Source: Ruffer LLP

Six monthly return history

Date	NAV (p)	TR NAV* (p)	% Total return
31 Dec 12	196.8	223.1	3.4
30 Jun 12	191.9	215.8	0.0
30 Dec 11	193.5	215.8	-0.3
30 Jun 11	195.6	216.5	1.0
31 Dec 10	195.2	214.4	7.8
30 Jun 10	182.6	198.9	8.1
31 Dec 09	170.3	184.0	12.6
30 Jun 09	152.6	163.3	2.2
31 Dec 08	150.9	159.8	16.0
30 Jun 08	131.3	137.7	6.7
31 Dec 07	124.2	129.0	7.5
29 Jun 07	116.7	120.0	-1.4
29 Dec 06	119.6	121.7	0.6
30 Jun 06	119.4	121.0	-0.5
30 Dec 05	120.5	121.6	7.9
30 Jun 05	112.2	112.7	5.6
31 Dec 04	106.7	106.7	8.9

*includes re-invested dividends

Source: Ruffer

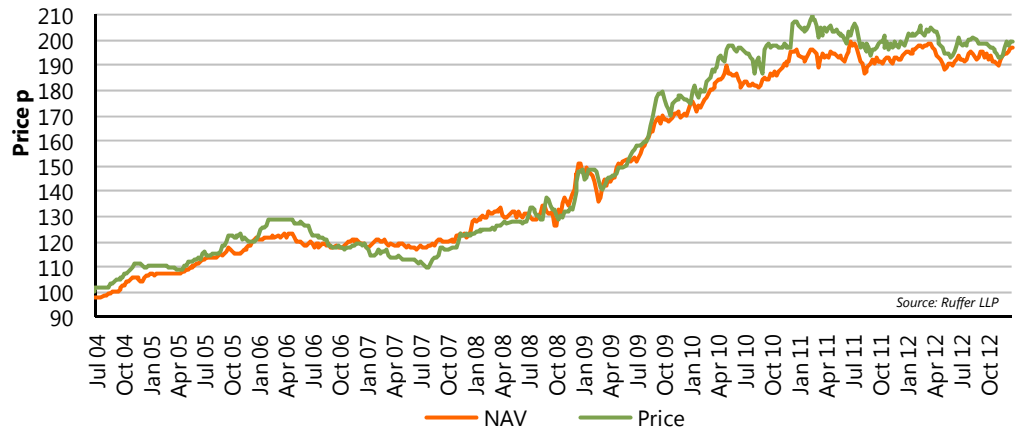
Dividends ex date: 26 Sep 07, 5 Mar 08 and 1 Oct 08, 1.5p 4 Mar 09, 30 Sep 09, 3 Mar 10, 1 Sept 10, 2 Mar 11 and 5 Oct 11, 1.6p on 29 Feb 12 and 26 Sep 12

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 in internationally listed or quoted equities or equity related securities (including convertibles) or bonds which are issued by corporate issuers, supra-nationals or government organisations.

RIC performance since launch on 8 July 2004



Source: Ruffer LLP

Investment report

Performance details

The net asset value at 31 December was 196.8p, representing a rise of 1.5% during the month compared with a rise of 1.0% in the FTSE All-Share. Over the year the net asset value rose by 3.4% on a total return basis.

Performance review

For the company's portfolio all the action was in Japan in December; the yen declined by 5% against the US dollar (good for us as the yen exposure is hedged) and equities continued to surge ahead. Notable performers were Mitsubishi UFJ (+22%), Mizuho (+19%), T&D (+17%), Mitsui & Co (+13%). As expected, the LDP emerged as victors in the election and significantly they achieved a two thirds majority (with partner Komeito), which should allow them to push through their reforms. After the election the new Prime Minister, Shinzo Abe, continued to apply pressure to the Bank of Japan ('BoJ') to implement stimulatory policies and his rhetoric has been rewarded by the move in equities and the yen. The easy work has been done and now the new government will have to implement its policies. We should expect markets to pause for breath but the combination of a change of leadership at the BoJ and a possible loss of independence means that there is reason to be optimistic that Abe can succeed where previous administrations failed.

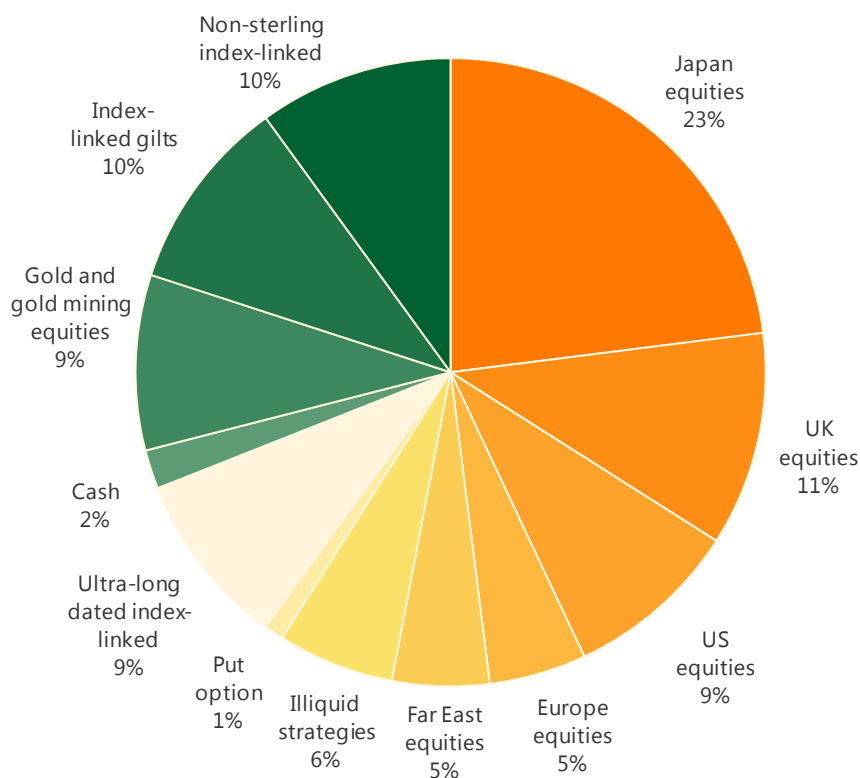
Despite this late flurry from Japan over the last two months, the calendar year 2012 will not go down in the Ruffer annals as *un grand millésime* for performance. Over the last five years we have managed to capture a good deal of the rise in markets and protect investors from the falls (2008 and 2011). However, in 2012 we made painfully slow progress when conditions appeared to be benign. Our investments in greed performed fine; western equities contributed 3% and Japanese equities added some 5%. It was the protective investments which held us share; the US dollar, put options and gold mining shares all cost the portfolio. US index-

linked bonds were just in positive territory but this was offset by the decline in long dated UK index-linked gilts, which were undermined by the discussions around the calculation of RPI. It was a year when protection was not required and unlike most other times in the Company's history (2006/7 being the exception) there was a monetary cost to our offsets rather than just an opportunity cost. This is symptomatic of the world in which we live where safety has become very expensive. Our answer is to ensure that the greed assets sweat harder rather than increasing the level of risk in the portfolio.

Outlook

The partial resolution of the fiscal cliff in the US has appeased markets but the debate is not over as further agreement is required to raise the debt ceiling by February. While this solution is undoubtedly a good thing because it averts a disorderly fiscal tightening, the larger battle has merely been postponed; higher taxes and spending cuts will still form part of the longer term deleveraging process. This situation of pain deferral exists in other parts of the global economy, which is worrying as 2013 is predicted to be the year when austerity truly bites. Europe has temporarily dropped out of the spotlight but still needs structural change and the UK faces a similar mountain to the US in its attempt to delever. All the while negative real interest rates are in place to act as a bailout to those who are over-borrowed and this bailout comes at the expense of savers (ie most of our investors). Index-linked bonds are an important part of our armoury in protecting investors in this environment while central banks underwrite the deflationary risks. If Bernanke & Co successfully manage to navigate the middle path (unlikely in our view) then the 50% we hold in equities should perform well.

Portfolio structure as at 31 Dec 2012



Source: Ruffer LLP

Ten largest holdings as at 31 Dec 2012

Stock	% of fund
1.25% Treasury index-linked 2017	8.0
1.25% Treasury index-linked 2055	5.6
US Treasury 1.625% TIPS 2018	4.6
Gold Bullion Securities	4.3
US Treasury 0.125% TIPS 2022	3.9
0.375% Treasury index-linked 2062	3.3
CF Ruffer Japanese Fund	3.0
T&D Holdings	3.0
Johnson & Johnson	2.4
BT	2.3

Five largest equity holdings* as at 31 Dec 2012

Stock	% of fund
Gold Bullion Securities	4.3
T&D Holdings	3.0
Johnson & Johnson	2.4
BT	2.3
Vodafone	2.1

*Excludes holdings in pooled funds

Source: Ruffer LLP

NAV valuation point

Weekly – Friday midnight
Last business day of the month

NAV £282.1m (31 Dec 2012)

Shares in issue 143,338,416

Market capitalisation £285.6m (31 Dec 2012)

No. of holdings 58 equities, 7 bonds (31 Dec 2012)

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
Settlement	CREST
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 December 2012, funds managed by the group exceeded £14.0bn.



HAMISH BAILLIE
Investment Director

Joined Ruffer in 2002. He founded and manages the Edinburgh office of Ruffer LLP which opened in September 2009. He manages investment portfolios for individuals, trusts, charities and pension funds and is part of the team managing the Ruffer Investment Company which is listed on the London Stock Exchange. 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.