



RUFFER INVESTMENT COMPANY LIMITED

An alternative to alternative asset management

MAY 2012

ISSUE 84

Share price as at 31 May 2012

194.37p

NAV as at 31 May 2012

Net Asset Value (per share)

190.57p

Premium/(discount) to NAV

As at 31 May 2012

2.0%

Launch price as at 8 Jul 2004

100.00p

RIC A Class since inception

Total Return (NAV)¹

118.7%

£ Statistics since inception

Standard deviation ²	2.06%
Maximum drawdown ³	-7.36%

¹Including 17.6p of dividends

²Monthly data (Total Return NAV)

³Monthly data (Total Return NAV)

Percentage growth in total return NAV

31 Mar 2011 – 30 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%
30 Mar 2007 – 31 Mar 2008	14.1%

Source: Ruffer LLP

Six monthly return history

Date	NAV (p)	TR NAV* (p)	% Total return
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

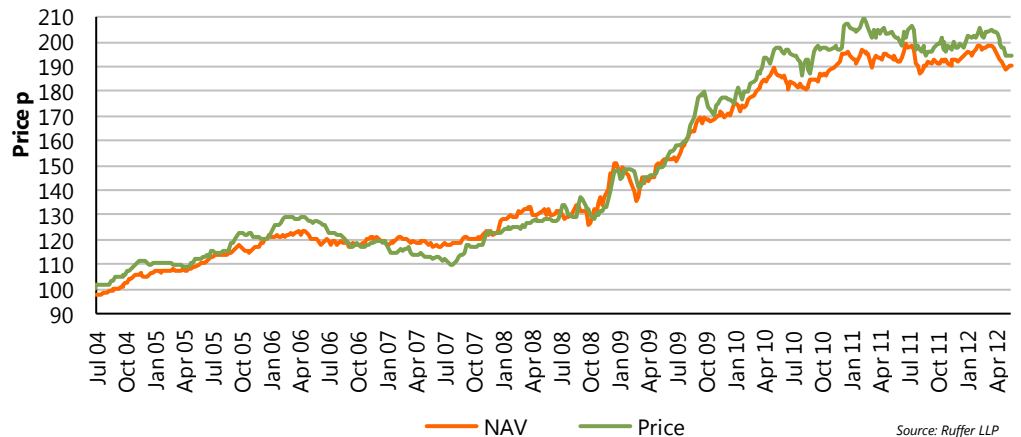
Dividends ex date: 0.5p 30 Mar 05, 30 Sep 05, 22 Mar 06 and 27 Sep 06, 1.25p 21 Mar 07, 26 Sep 07, 5 Mar 08 and 1 Oct 08, 1.5p 4 Mar 09, 30 Sep 09, 3 Mar 10, 1 Sept 10, 2 Mar 11 and 5 Oct 11, 1.6p on 29 Feb 12

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



Source: Ruffer LLP

Investment report

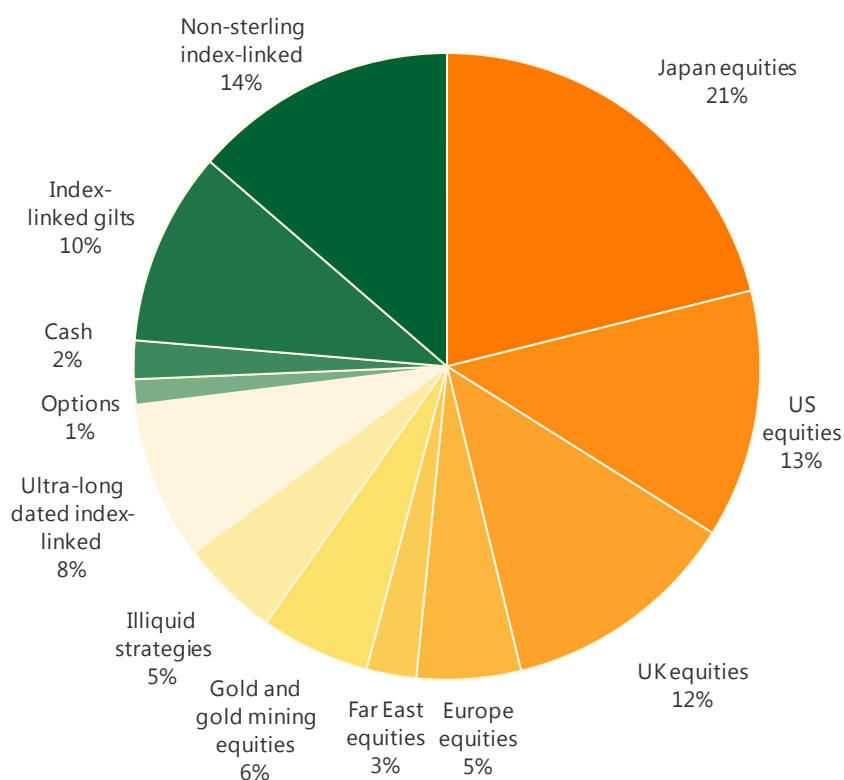
The net asset value at 31 May 2012 was 190.57p, down by 1.3% over the month. The FTSE All-Share fell by 6.8% on a total return basis.

There is no hiding from the fact that the last two months have proved to be a testing time for our investment strategy. One of the great positives to take from the preceding 12 months was the low level of volatility in the bottom line of the portfolio. There was plenty of movement in the individual asset classes (in both directions) but the negative correlation between them resulted in a smoother ride (ie the offsets worked). We mentioned in the April report that our offsetting assets were not punching hard enough to offset the decline in our equity positions. At the start of May this trend continued but as the crisis in Europe intensified our defensive investments kicked in. The dollar started to rally in earnest in the middle of May and ended the month up 5%, our put options started to perform at the same time and gold mining shares rose over the same period. It is no coincidence that this was also the point when equity markets took a second leg down and the intraday moves into the red intensified. Why do we mention this? Surely this is all too short-term for an investment strategy that is designed for the long term? The answer is that we need constantly to assess the balance of the portfolio and ensure that the assets that we believe to be protecting us are indeed performing this role. Despite the fall in the month the signs are that they are indeed doing their job in an acute crisis.

The current difficulty in finding defensive assets is the result of the distorting effect of ultra-low interest rates (pushed ever lower by the

shadowy hand of quantitative easing). This makes safe assets a very expensive place to keep one's money; we only need to look at the real cost of keeping money in the bank to see this. Central banks will eventually ride to the rescue of ailing equity markets (they always do, don't they?) and this will provide a short term sticking plaster over the much larger cloud that is hanging over us in the form of deleveraging. The longer this saga goes on and the more often the helicopters are deployed to bail out financial markets, the more evident it becomes that negative real interest rates (interest rates held below the rate of inflation) are the key to resolving the debt crisis and not austerity or growth, or whatever it is that Alexis Tsipras is proposing. While such a policy will greatly help those who are over-borrowed it is a killer for savers who are faced with the option of a guaranteed loss in safe assets (eg cash) or riding the tiger of risk assets (eg equities), which, in a month like May, will have cost them dearly. Our answer is to maintain a significant weighting in index-linked bonds to protect us from the effects of negative real interest rates and keep our other defensive assets in place, which allows us to use the remainder of the portfolio to seek out returns in equities and unloved asset classes. Japan has been disguising its brilliance in this respect but our illiquid strategies theme has been doing well (Better Capital is up 40% over the last seven months) and quality German property stocks, such as TAG and GSW, have been beneficiaries of the flight of capital to the core of Europe. Every crisis throws up opportunities and we need to be brave enough to embrace them when they appear; this is easier to achieve if one has not lost one's shirt while waiting.

Portfolio structure as at 31 May 2012



Source: Ruffer LLP

Ten largest holdings as at 31 May 2012

Stock	% of fund
1.25% Treasury index-linked 2017	8.4
1.25% Treasury index-linked 2055	6.1
US Treasury 1.625% TIPS 2018	5.0
US Treasury 1.625% TIPS 2015	4.2
Vodafone	3.2
US Treasury 1.875% TIPS 2015	3.2
Nippon Telegraph & Telephone	3.0
CF Ruffer Japanese Fund	2.7
T&D Holdings	2.6
Johnson & Johnson	2.3

Five largest equity holdings* as at 31 May 2012

Stock	% of fund
Vodafone	3.2
Nippon Telegraph & Telephone	3.0
T&D Holdings	2.6
Johnson & Johnson	2.3
BT	2.1

*Excludes holdings in pooled funds

Source: Ruffer LLP

NAV valuation point

Weekly – Friday midnight
Last business day of the month

NAV

£272.6m (31 May 2012)

Shares in issue

141,188,416

Market capitalisation

£281.0m (31 May 2012)

No. of holdings

55 equities, 8 bonds (31 May 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 number

GB00B018CS46

SEDOL number

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 May 2012, funds managed by the group exceeded £13.3bn.



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.