



RUFFER INVESTMENT COMPANY LIMITED

An alternative to alternative asset management

DECEMBER 2011

ISSUE 79

Share price as at 30 Dec 2011

198.25p

NAV as at 30 Dec 2011

Net Asset Value (per share)

193.45p

Premium/(discount) to NAV

As at 30 Dec 2011

2.5%

Launch price as at 8 Jul 2004

100.00p

RIC A Class since inception

Total Return (NAV)¹

120.2%

£ Statistics since inception

Standard deviation ²	2.06%
Maximum drawdown ³	-7.36%

¹Including 16.0p of dividends

²Monthly data (Total Return NAV)

³Monthly data (Total Return NAV)

Percentage growth in total return NAV

31 Dec 2010 – 30 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%
29 Dec 2006 – 31 Dec 2007	6.0%

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

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



Investment report

The net asset value at the end of December 2011 was 193.45p, up by 0.3% over the month. This took the rise for the year in total return terms to 0.7% compared with a fall of 6.6% in global equities.

While being far from a vintage year for the investment company there is a palpable sense of relief in having dodged a number of bullets in 2011. (In Japan it was a case of taking a bullet but one which missed vital organs.) The benefit of running a portfolio of offsetting assets has come to the fore and has allowed us to hold comparatively high equity weightings with some confidence, which would not necessarily have been the case if done in isolation.

December was a relatively quiet month after the fireworks of the autumn months. Within the portfolio index-linked bonds crept up and our US equities were also positive contributors with only a modest tailwind of a 1.2% rise in the dollar. We mentioned in the last review that we expect the US to be a relative outperformer and positive manufacturing data in December further endorsed this view. Our holdings in the US are also in large defensive companies and these have outperformed their smaller counterparts – the pharmaceutical company, Merck & Co, was the best performer.

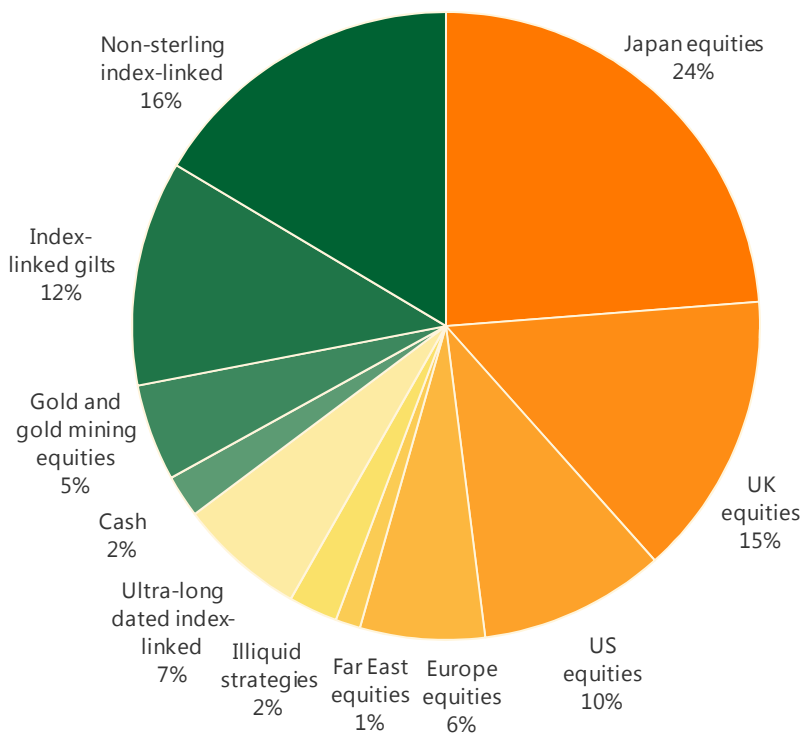
The main macro-economic event during the month was the unexpectedly large involvement of European banks in the

European Central Bank's ('ECB') three year refinancing facility; €490bn of three year loans were taken up, which was more than twice what was expected. The hope is that this will either help support peripheral government bond markets or be lent on to small and medium size businesses but the sceptics will tell you that it will remain within the banks to boost their capital buffers. In any case the ECB's balance sheet expanded by a massive 45% in the second half of 2011 and we can expect more of the same in 2012. Democracy may be the pitfall for Europe in 2012 as governments try to push economic reforms past their electorates – this will be a hard sell both within the core and the periphery of Europe.

We will endeavour to maintain a portfolio that will perform come sunshine, rain (or gales) and, as ever, the battleground will be to ensure that our offsetting assets are fulfilling their role in protecting other parts of the portfolio. When there is such despondency in the air there are always opportunities and our job will be to capture as much of that as possible while keeping sufficient reserves in the trenches.

On an administrative note, after reviewing the custodial arrangements the board of the Ruffer Investment Company decided in December to change custodian from RBC Dexia to Northern Trust and this change was completed on 20 December.

Portfolio structure as at 30 Dec 2011



Source: Ruffer LLP

Ten largest holdings as at 30 Dec 2011

Stock	% of fund
1.25% Treasury index-linked 2017	7.5
1.25% Treasury index-linked 2055	6.5
US Treasury 1.625% TIPS 2018	5.0
US Treasury 1.625% TIPS 2015	4.8
Vodafone Group	3.5
US Treasury 2.125% TIPS 2040	3.4
US Treasury 1.875% TIPS 2015	3.2
CF Ruffer Japanese Fund	2.9
CF Ruffer Baker Steel Gold Fund	2.8
2.5% Treasury index-linked 2016	2.7

Five largest equity holdings* as at 30 Dec 2011

Stock	% of fund
Vodafone Group	3.5
T&D Holdings	2.6
Nippon Telegraph & Telephone	2.5
BT Group	2.5
Koninklijke KPN	2.4

*Excludes holdings in pooled funds

Source: Ruffer LLP

NAV valuation point

Weekly – Friday midnight
Last business day of the month

NAV

£257.9m (30 Dec 2011)

Shares in issue

133,338,416

Market capitalisation

£264.3m (30 Dec 2011)

No. of holdings

51 equities, 8 bonds (30 Dec 2011)

Share price

Published in the Financial Times

Market makers

ABN AMRO | Cazenove
Cenkos Securities | Collins Stewart
Numis Securities | 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

Enquiries

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Ruffer LLP

Ruffer LLP manages investments on a discretionary basis for private clients, trusts, charities and pension funds. As at 30 December 2011, funds managed by the group exceeded £12.8bn, of which over £5.4bn was managed in open-ended Ruffer funds.



JONATHAN RUFFER
Chief Executive

Trained as a stockbroker and barrister before moving into private client investment management in 1980, with Dunbar Fund Managers. Formerly Chief Investment Officer of Rathbone Bros plc, in 2001 became an independent non-executive director of Electric and General Investment Trust PLC. He established Ruffer Investment Management Ltd in 1994, which transferred its investment business to Ruffer LLP in 2004.



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.