RUFFER INVESTMENT COMPANY LIMITED

An alternative to alternative asset management

JUNE 2012

ISSUE 85

Share price as at 29 Jun 2012

197.50p

NAV as at 29 Jun 2012

Net Asset Value (per share)

191.93p

Premium/(discount) to NAV

As at 29 Jun 2012

2.9%

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]	2.05%
Maximum drawdown[3]	-7.36%

[1]Including 17.6p of dividends
[2]Monthly data (Total Return NAV)
[3]Monthly data (Total Return NAV)

Percentage growth in total return NAV

30 Jun 2011 – 30 Jun 2012	-0.3%
30 Jun 2010 – 30 Jun 2011	8.8%
30 Jun 2009 – 30 Jun 2010	21.8%
30 Jun 2008 – 30 Jun 2009	18.6%
30 Jun 2007 – 30 Jun 2008	14.8%

Source: Ruffer LLP

Six monthly return history

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

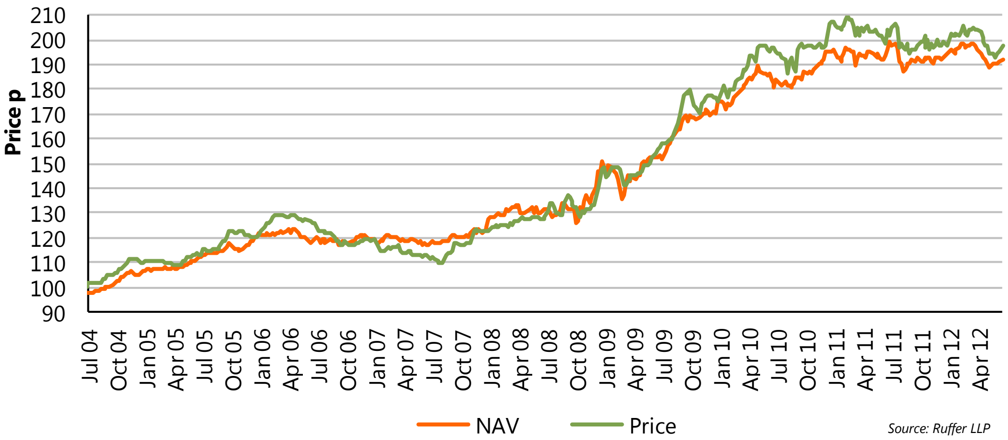
Dividends ex date: 0.5p 30 Mar 05, 30 Sep 05, 22 Mar 06 and 27 Sep 06, 1.25p 21 Mar 07, 26 Sep 07, 5 Mar 08 and 1 Oct 08, 1.5p 4 Mar 09, 30 Sep 09, 3 Mar 10, 1 Sept 10, 2 Mar 11 and 5 Oct 11, 1.6p on 29 Feb 12

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 29 June 2012 was 191.93p, an appreciation of 0.7% over the month. The FTSE All-Share rose by 4.8% on a total return basis.

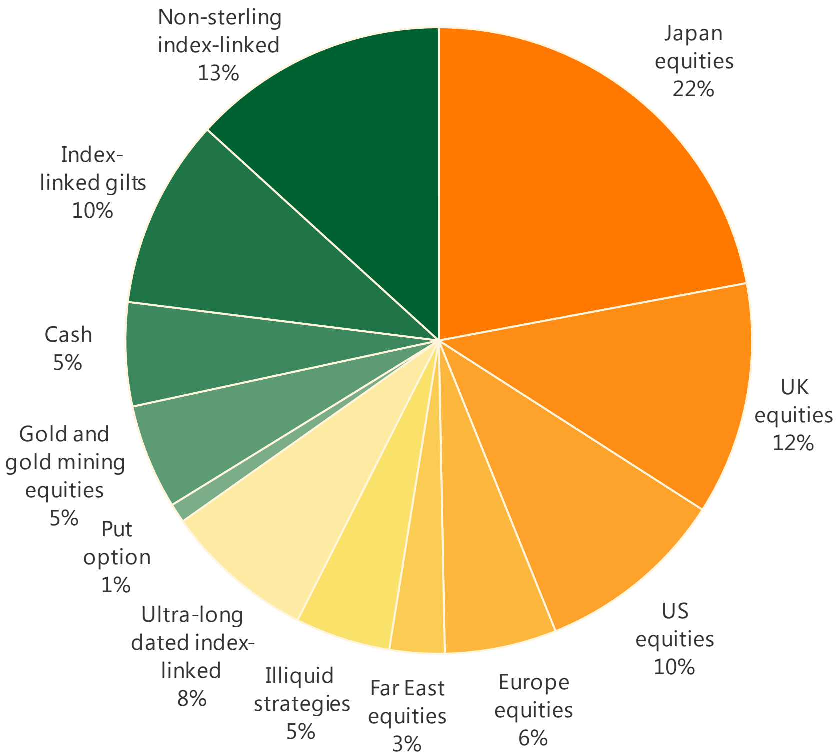
The principal positive contributors were our equity positions; the combination of the UK, US and Japan added 2.8% to the overall return while index-linked bonds, gold and put options were the main detractors. In other words risk assets bounced back from the depths of despair at the end of May and protective assets have given back some of their earlier gains.

The returns from the Japanese portfolio are encouraging because this is both our highest equity weighting and the principal source of beta in the portfolio. Financials in the form of Sumitomo Mitsui Financial Group, Mitsubishi UFJ Group, Resona and T&D all performed well. In the US our 'nifty-fifty' holdings performed best; these are companies which we consider to have strong balance sheets, defensive business models and that are paying reasonable and well covered dividends with the potential to be increased in the future (Johnson & Johnson, Merck, Wal-Mart, Kraft).

Investors have become somewhat immune to the announcements that follow the endless succession of European summits and the last two have evoked a noticeably lukewarm response despite the shrill cries of success from politicians. In the interest of not engendering crisis fatigue via-a-vis Europe let us turn our attention to another matter of great importance to the portfolio; inflation protected bonds. Unusually, there has been much discussion around the news flow on index-linked gilts this month. As far as gripping headlines go these investments are usually as exciting as drying paint and despite the collective yawns, which are no doubt emanating from readers, the recent developments deserve some comment. By way of background, in 2011 the UK government considered switching the inflation uplift in these bonds from the Retail Price Index (RPI) to the Consumer Price Index (CPI). The official reason was that RPI is calculated on quite an archaic basis whereas CPI conforms more closely to international norms. The cynical (and more plausible) explanation is that a link to CPI would be much cheaper for the government to finance. This initiative was kicked into the long grass by legal complications and subsequently there was a move to issue new CPI linked bonds but this also failed to gain traction. Last month a third attempt was made to skin the same cat and this time it was suggested that the calculation of RPI be tweaked to bring it into line with CPI. On the face of it this is a bad thing for holders of index-linked bonds because the inflation protection element of the bond is being reduced to a lower rate. This change will also have more far-reaching consequences in terms of public sector pay and pension payments.

Despite much gnashing of teeth it seems likely that this reform will eventually be pushed through given the political will behind it. As proponents of index-linked bonds, should this have us scurrying for the exit? We think not. If anything this sort of skulduggery endorses the case for holding these investments and gives credence to our view that behind closed doors the focus of monetary and fiscal policy is less about austerity and growth and more about maintaining negative real interest rates. Index-linked bonds are a unique asset class and there are very few alternatives for investors to turn to if they are worried about the detrimental effects of negative real interest rates on their wealth; this is the go-to investment. We are also reassured that the market is well supported by the forced buying of pension funds and most importantly the political pride that is being vested in the historically low interest rates available to HM Treasury when borrowing in the gilt market. As this is considered a sign of confidence in the UK and the political program in action, the government will be reluctant to do anything radical that might rock the boat.

Portfolio structure as at 29 Jun 2012



Source: Ruffer LLP

Ten largest holdings as at 29 Jun 2012

Stock	% of fund
1.25% Treasury index-linked 2017	8.2
1.25% Treasury index-linked 2055	5.9
US Treasury 1.625% TIPS 2018	4.8
US Treasury 1.625% TIPS 2015	4.0
Nippon Telegraph & Telephone	3.1
US Treasury 1.875%TIPS 2015	3.1
CF Ruffer Japanese Fund	2.8
T&D Holdings	2.8
Vodafone	2.5
Johnson & Johnson	2.4

Five largest equity holdings* as at 29 Jun 2012

Stock	% of fund
T&D Holdings	2.8
Vodafone	2.5
Johnson & Johnson	2.4
BT	2.2
Google	1.9

**Excludes holdings in pooled funds* *Source: Ruffer LLP*

NAV valuation point	Weekly – Friday midnight Last business day of the month
NAV	£271.6m (29 Jun 2012)
Shares in issue	141,488,416
Market capitalisation	£279.4m (29 Jun 2012)
No. of holdings	54 equities, 8 bonds (29 Jun 2012)
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. 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.

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 30 June 2012, funds managed by the group exceeded £13.4bn.