RUFFER INVESTMENT COMPANY LIMITED

An alternative to alternative asset management

JULY 2012
ISSUE 86

Share price as at 31 Jul 2012
197.75p

NAV as at 31 Jul 2012
Net Asset Value (per share)
192.41p

Premium/(discount) to NAV
As at 31 Jul 2012
2.8%

Launch price as at 8 Jul 2004
100.00p

RIC A Class since inception
Total Return (NAV)[1]
120.8%

£ Statistics since inception

Standard deviation[2]	2.04%
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*

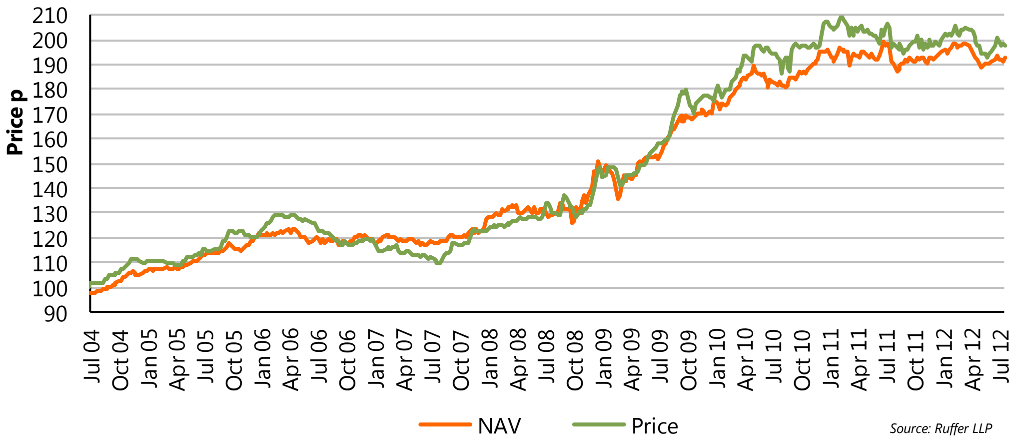
Dividends ex date: 0.5p 30 Mar 05, 30 Sep 05, 22 Mar 06 and 27 Sep 06, 1.25p 21 Mar 07, 26 Sep 07, 5 Mar 08 and 1 Oct 08, 1.5p 4 Mar 09, 30 Sep 09, 3 Mar 10, 1 Sept 10, 2 Mar 11 and 5 Oct 11, 1.6p on 29 Feb 12

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 31 July 2012 was 192.41p, an appreciation of 0.3% over the month. The FTSE All-Share rose by 1.3% on a total return basis.

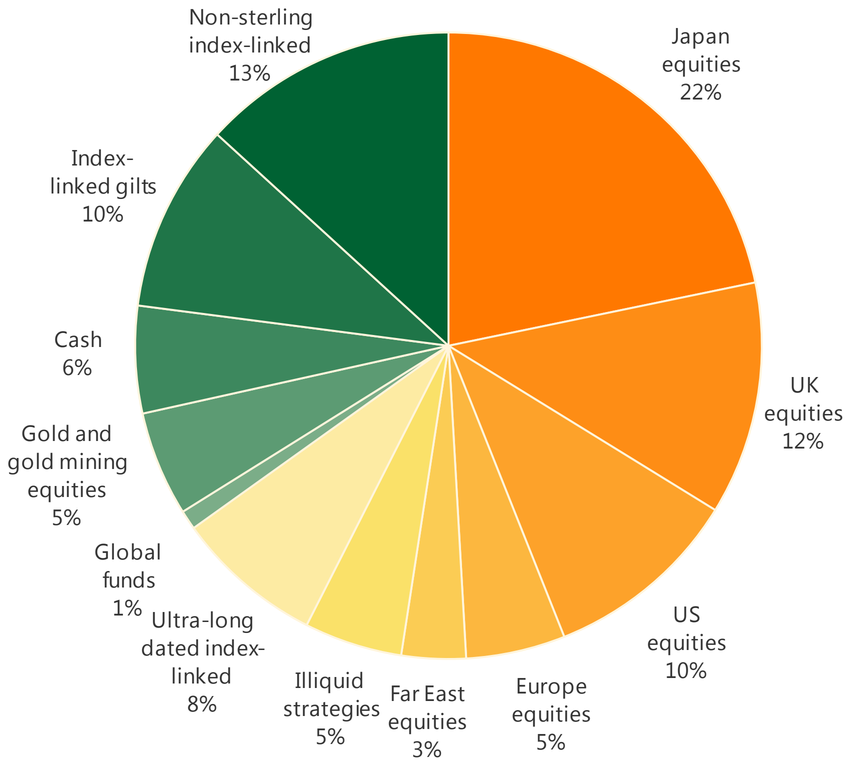
For those of even the slightest sporting bent July 2012 was packed full of excitement. The London Olympics are underway, and so far seem to be going swimmingly, largely thanks to tourists and the locals politely making way for the event by leaving town. Over the Channel Bradley Wiggins achieved what seemed an impossible dream – a British winner of the Tour de France for the first time in its history, then insouciantly hopped back across La Manche to pick up an Olympic gold medal little more than a week later. However, in financial markets it was a case of more of the same. Investors fretted about the eurozone, much as they have for the last two years, worried about the weakness of global growth and scanned the horizon anxiously for signs of the central bank cavalry riding once again to the rescue.

Alas, no such cavalry charge came in July, but there were as ever tantalising hints and signs. Mario Draghi raised hopes that imminent action from the ECB was on the cards, saying towards the end of the month that he would do whatever it takes to save the euro, albeit still within the scope of the ECB's mandate. This cheered investors, nudging global equities into the black for July, and seemed to have achieved the noble aim of buying time for eurozone bureaucrats to have a peaceful summer holiday on the beaches, until a lacklustre ECB meeting a few days later failed to deliver anything much at all. Meanwhile, nearer to home the Bank of England rejoined the expansionary tack early in the month by voting for a further £50bn of asset purchases, whilst in the US there were soothing words from Ben Bernanke about continued rock-bottom interest rates but no immediate new measures. So it seems that investors will have yet another fretful summer, on the one hand nervous about the lack of growth that is the inevitable consequence of the continuing debt burden, whilst at the same time hopeful that the cavalry really will arrive sometime soon, and all the time desperate not to miss out on any gains, however fleeting, that such actions might bring with them.

In view of the growing likelihood of further worldwide central bank balance sheet expansion, we have raised the gold exposure in the fund, albeit just after the month end. Gold, and in particular gold mining shares, have been acutely disappointing investments recently; the metal has been caught in the crosshairs of generally falling metal prices, and gold miners, especially the large stocks, continue to grapple, not always successfully, with issues of overshooting costs and undershooting production. So what has changed now? Firstly, coordinated action by central banks could undermine confidence in all the major currencies, and secondly, these extraordinary times are producing a new phenomenon, negative nominal interest rates. It has always been quite rightly held against gold that it does not produce an income, but neither these days does lending money to the governments of Switzerland, Denmark and Germany. In a world where the economic textbook is being constantly reinvented, negative real interest rates are already morphing into negative nominal rates; under these circumstances the opportunity cost of holding gold rapidly diminishes.

Elsewhere there has been little change in our portfolio. We have timidly sought to take some small advantage of the eurozone malaise by taking a position in Ebro Foods, a global rice and pasta business whose only sin is to be listed in Madrid. Further afield, we have moved back into M1, the Singapore telecoms company which in addition to being reassuringly dull in a strong currency has quietly returned almost half its market capitalisation to shareholders over the last five years through dividends, and currently yields close to 6%. Such additions are small beer, but may help, along with gold, to deliver a reasonable positive return from a portfolio that, so far this year, has been rather better at preserving capital in market swoons than showing outright gains.

Portfolio structure as at 31 Jul 2012



Source: Ruffer LLP

NAV valuation point	Weekly – Friday midnight Last business day of the month
NAV	£274.8m (31 Jul 2012)
Shares in issue	142,838,416
Market capitalisation	£282.5m (31 Jul 2012)
No. of holdings	55 equities, 8 bonds (31 Jul 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.

Ten largest holdings as at 31 Jul 2012

Stock	% of fund
1.25% Treasury index-linked 2017	8.2
1.25% Treasury index-linked 2055	5.8
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	3.0
CF Ruffer Japanese Fund	2.7
T&D Holdings	2.7
Vodafone	2.5
Johnson & Johnson	2.5

Five largest equity holdings* as at 31 Jul 2012

Stock	% of fund
Nippon Telegraph & Telephone	3.1
T&D Holdings	2.7
Vodafone	2.5
Johnson & Johnson	2.5
BT	2.2

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

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 manages investments on a discretionary basis for private clients, trusts, charities and pension funds. As at 31 July 2012, funds managed by the group exceeded £13.5bn.