RUFFER INVESTMENT COMPANY LIMITED

An alternative to alternative asset management

FEBRUARY 2013
ISSUE 93

Share price as at 28 Feb 2013
215.00p

NAV as at 28 Feb 2013
Net Asset Value (per share)
208.72p

Premium/(discount) to NAV
As at 28 Feb 2013
3.0%

NAV total return[1]
Since inception
141.5%

£ Statistics since inception

Standard deviation[2]	2.02%
Maximum drawdown[3]	-7.36%

[1]Including 19.2p of dividends
[2]Monthly data (Total Return NAV)
[3]Monthly 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*

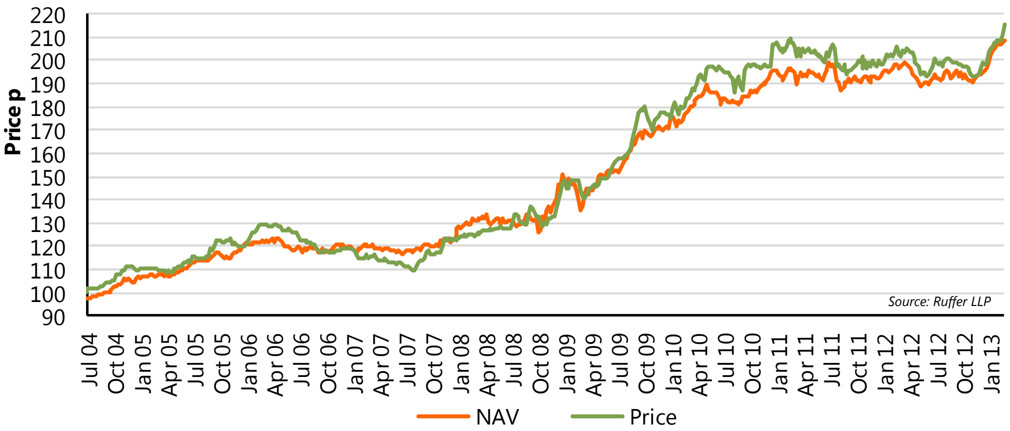
Dividends ex date: 26 Sep 07, 5 Mar 08 and 1 Oct 08, 1.5p 4 Mar 09, 30 Sep 09, 3 Mar 10, 1 Sept 10, 2 Mar 11 and 5 Oct 11, 1.6p on 29 Feb 12 and 26 Sep 12

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



Investment report

The net asset value at 28 February was 208.7p, representing a rise of 1.1% during the month. The FTSE All-Share rose by 2.3% on a total return basis.

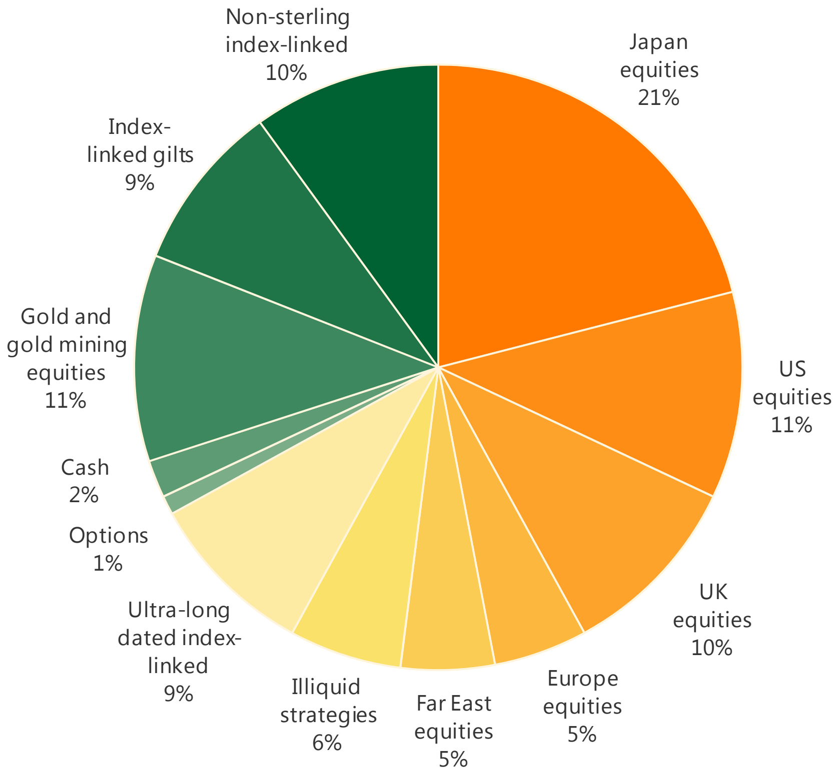
After the fireworks of January, last month was a more sedate affair and perhaps a better representation of the steady Ruffer pace to which we aspire. We have often written that a month is too short a period in which to make a judgement on performance but with a positive return of 9.4% over the last six months the deadlock of last year appears to have been broken. Japan has been an important part of this change. Our Japanese stocks managed to add modestly to the gains of previous months and fundamental change in Japan continues apace. The appointment of a new governor of the Bank of Japan is imminent and the candidates for the role are supportive of Prime Minister Abe's reflationary policies. It is also significant that the US has not yet objected to the policy of weakening the yen and there was ample opportunity to do so at the G20 meeting. An improving Japanese economy will be helpful for the US and so this should not come as a surprise, but the lack of any objection leaves the door open for further action in Japan.

Another notable characteristic of February was the weakness of sterling which fell by over 4% against the dollar. Within the portfolio 40% of the assets are held outside sterling and so this move provided a favourable tailwind. It is worth remembering that a third of the sterling exposure is in index-linked gilts which should ultimately benefit from imported inflation resulting from a weaker currency. Sterling is also the company's base currency and so the neutral position is to hold the fragile pound unless there is good reason to do otherwise.

There was ample scope for a market wobble in February – the Italian election, QE dissenters amongst the Fed's ranks, the long-awaited downgrade of the UK – but in the end equities continued their march higher and in the UK and the US they are now within touching distance of the dizzy pre-crisis highs of 2007. If this was explained to a recently arrived Martian he would no doubt be puzzled – US unemployment has almost doubled since 2007, GDP growth is a third lower and debt as a percentage of GDP is within a whisker of doubling. The market is forward looking but this is extreme. However, a glance at the support being provided by central banks would provide an eye-popping explanation. The problem is that the world has become accustomed to artificially low interest rates, the promise of 'lower-for-longer' and a plethora of stimulus packages designed to prop up anaemic economic growth – $85bn of QE a month is now par for the course.

Many moons ago we wrote of the moral hazard in monetary policy where risk takers were offered the protection of the *Greenspan put* or whatever assortment of goodies that might fall out of Dr Bernanke's helicopter. A similar sequence of events is unfolding now and there are parallels with the years leading up to the credit crisis. This has not sidestepped the attention of central bankers. Last month a voice within the Fed, in the form of Jeremy Stein, warned that today's monetary policy is encouraging excessive risk taking and that at some point this will come back to bite us if not addressed. Many would add that this credit risk pales into insignificance when compared with the probability that central banks' reckless behaviour results in a loss of confidence in paper currencies. This does not necessarily mean that we are on the verge of stumbling over the cliff but the risks are there and worth protecting against. We are happy not to participate fully in this liquidity binge if we are holding assets that will protect us from the inevitable hangover that follows.

Portfolio structure as at 28 Feb 2013



Source: Ruffer LLP

Ten largest holdings as at 28 Feb 2013

Stock	% of fund
1.25% Treasury index-linked 2017	7.8
Gold Bullion Securities	6.7
1.25% Treasury index-linked 2055	5.5
US Treasury 1.625% TIPS 2018	4.6
US Treasury 0.125%TIPS 2022	3.9
0.375% Treasury index-linked 2062	3.3
CF Ruffer Japanese Fund	3.1
T&D Holdings	3.0
Johnson & Johnson	2.6
BT	2.3

Five largest equity holdings* as at 28 Feb 2013

Stock	% of fund
Gold Bullion Securities	6.7
T&D Holdings	3.0
Johnson & Johnson	2.6
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	£299.2m (28 Feb 2013)
Shares in issue	143,338,416
Market capitalisation	£308.2m (28 Feb 2013)
No. of holdings	58 equities, 7 bonds (28 Feb 2013)
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

HAMISH BAILLIE
Investment Director
Joined Ruffer in 2002. Founded and manages the Edinburgh office of Ruffer LLP which opened in September 2009 and is a director of Ruffer (Channel Islands) Limited. As well as acting as the lead manager on the Ruffer Investment Company he also manages investment portfolios for individuals, trusts, charities and pension funds. 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.

Enquiries

Alexander Bruce
Tel +44 (0)20 7963 8104
Fax +44 (0)20 7963 8175
rif@ruffer.co.uk
www.ruffer.co.uk

Ruffer LLP
80 Victoria Street
London SW1E 5JL

Ruffer LLP
Ruffer LLP manages investments on a discretionary basis for private clients, trusts, charities and pension funds. As at 28 February 2013, assets managed by the group exceeded £15.1bn.