



OCTOBER 2012

ISSUE 89

Share price as at 31 Oct 2012

196.25p

NAV as at 31 Oct 2012

Net Asset Value (per share)

191.58p

Premium/(discount) to NAV

As at 31 Oct 2012

2.4%

RIC A Class since inception

Total Return (NAV)¹

121.6%

£ Statistics since inception

Standard deviation ²	2.01%
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

30 Sep 2011 – 30 Sep 2012	2.3
30 Sep 2010 – 30 Sep 2011	5.6
30 Sep 2009 – 30 Sep 2010	12.3
30 Sep 2008 – 30 Sep 2009	30.3
30 Sep 2007 – 30 Sep 2008	10.5

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 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.

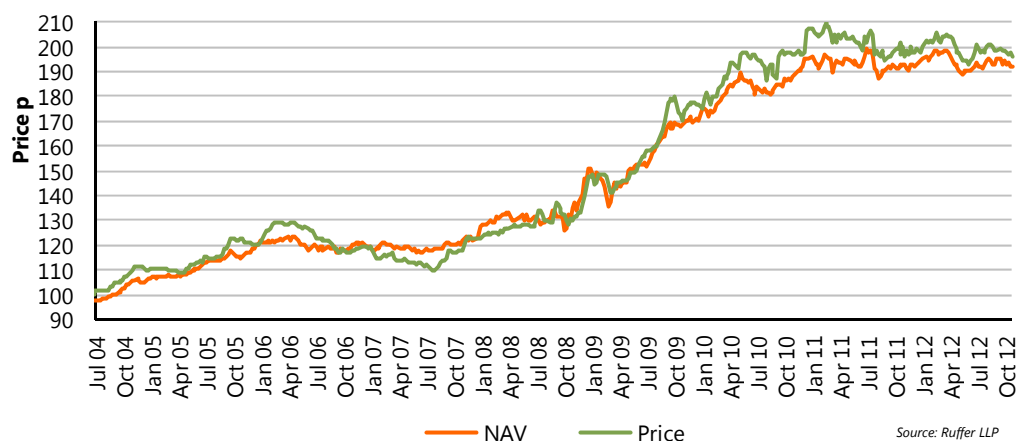
RUFFER INVESTMENT COMPANY LIMITED

An alternative to alternative asset management

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, supranationals or government organisations.

RIC performance since launch on 8 July 2004



Source: Ruffer LLP

Investment report

Performance details

The net asset value at 31 October 2012 was 191.58p, representing a fall of 0.6% during the month. The FTSE All-Share rose by 1.0% on a total return basis.

Performance contributions

The positive contributors during the month were Japanese equities, UK index-linked bonds and US TIPS, with a marginally positive tail wind of a rising US dollar. On a geographical split most of the equities were flat during the month with the exception of the UK where positions in Vodafone and BT cost us a bit. BT has been under pressure as investors have fretted over regulatory pressure on their pricing structure and poor economic conditions affecting the Global Services division. Both these issues are real and have had an impact on BT's business, but their results announced just after the month end have reassured the market and pleasingly the dividend has been increased by 15% and the shares have bounced sharply. Cash generation has been good and interest costs are declining as high coupon debt is repaid; this backdrop should underpin future earnings growth. Elsewhere property stocks in both Germany and Japan have continued to perform well. GSW Immobilien was the pick of the bunch with a rise of 10%. This is a reminder that while Europe's problems have been temporarily moved onto the backburner, they are not yet resolved and there is still a flow of funds from the periphery to the core, which is finding a home in domestic German assets and notably property. Interestingly, Deutsche Wohnen (not held) announced a capital raise during October in order to increase the size of their residential property portfolio and take advantage of this new found demand for German property.

Shares in Google fell 10% during the month after suffering the double ignominy of releasing poorer than expected results and also accidentally releasing them ahead of schedule. The weakness in their numbers came from the integration of the recently acquired Motorola business but the rest of the company is performing well – mobile revenue is now

running at an annualised rate of \$8bn, more than three times higher than a year ago. This is the most exciting part of the business; while corporations may not dramatically increase their advertising spend as a whole, there is a shift to digital advertising and Google is well placed to benefit from this trend. Investing in Google is likely to be a bumpy ride but we are still well above our entry price and some profits have also been banked at a higher level.

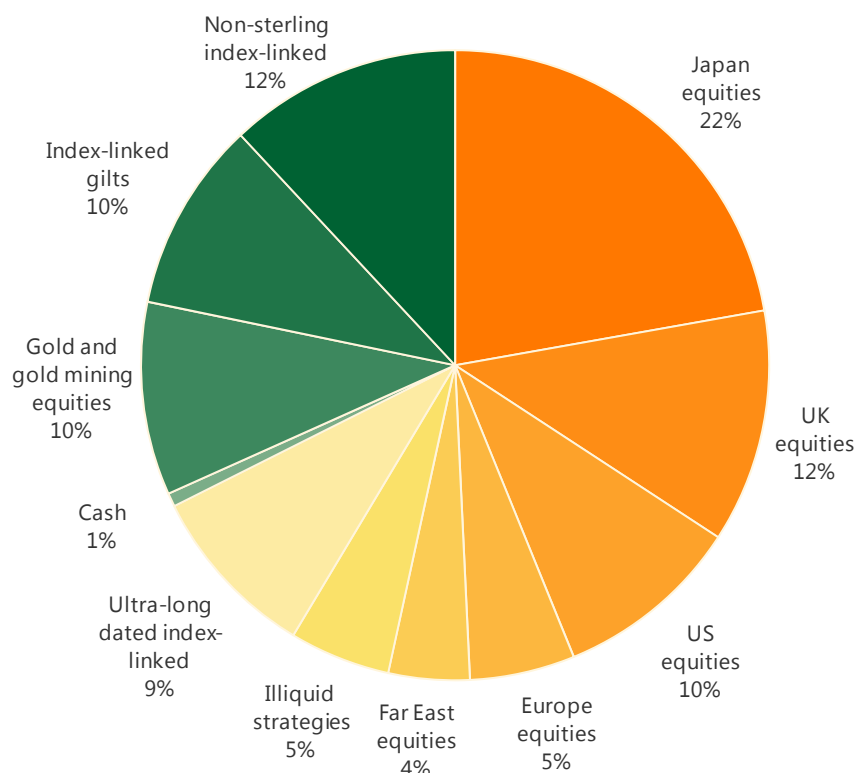
Market commentary

On the macro front, the Bank of Japan increased its asset purchase program (read QE) by JPY11tn at the end of the month and the yen has been weakening (-2.4% during the month), which is good for our positions. The Bank of Japan made reference in its monthly announcement to a bank lending initiative akin to the Bank of England's *Funding for Lending* scheme. More details will follow but this should be taken positively and reflects that there is plenty of scope for additional monetary support in Japan.

In the UK, the Office for National Statistics pleaded its case for reducing the difference between the RPI and CPI inflation indices. Unsurprisingly, they favoured a change to bring the RPI calculation closer to CPI. There has been a justified outcry from pensioners and they were backed up by statistical experts, pointing out that while the RPI calculation may not be perfect, it represents a better method of measuring real world inflation than CPI. A decision will be made on this matter in January 2013.

Elsewhere, all eyes have been on the US election and how the fiscal cliff is addressed in the aftermath. QE Infinity is starting to take effect and will prolong the distortion that is taking place in today's medicated financial markets. There is no reason why this distortion should not last for some time, but we are keen to make sure that we have our positions in place to protect investors from the side effects of that medication.

Portfolio structure as at 31 Oct 2012



Source: Ruffer LLP

Ten largest holdings as at 31 Oct 2012

Stock	% of fund
1.25% Treasury index-linked 2017	8.2
1.25% Treasury index-linked 2055	5.4
US Treasury 1.625% TIPS 2018	4.7
Gold Bullion Securities	4.6
0.375% Treasury index-linked 2062	3.1
US Treasury 1.875% TIPS 2015	3.0
US Treasury 1.625% TIPS 2015	2.9
T&D Holdings	2.8
CF Ruffer Japanese Fund	2.8
Johnson & Johnson	2.5

Five largest equity holdings* as at 31 Oct 2012

Stock	% of fund
Gold Bullion Securities	4.6
T&D Holdings	2.8
Johnson & Johnson	2.5
Vodafone	2.3
BT	2.2

*Excludes holdings in pooled funds

Source: Ruffer LLP

NAV valuation point

Weekly – Friday midnight
Last business day of the month

NAV

£274.6m (31 Oct 2012)

Shares in issue

143,338,416

Market capitalisation

£281.3m (31 Oct 2012)

No. of holdings

57 equities, 8 bonds (31 Oct 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	GB00B018CS46
SEDOL	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 October 2012, funds managed by the group exceeded £13.6bn.



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.