



# RUFFER INVESTMENT COMPANY LIMITED

An alternative to alternative asset management

**MAY 2013**

ISSUE 96

**Share price as at 31 May 2013**

**225.00p**

**NAV as at 31 May 2013**

Net Asset Value (per share)

**217.11p**

**Premium/(discount) to NAV**

As at 31 May 2013

**3.6%**

**NAV total return<sup>1</sup>**

Since inception

**153.1%**

## £ Statistics since inception

Standard deviation <sup>2</sup>	2.00%
Maximum drawdown <sup>3</sup>	-7.36%

<sup>1</sup>Including 20.8p of dividends

<sup>2</sup>Monthly data (Total Return NAV)

<sup>3</sup>Monthly data (Total Return NAV)

## Percentage growth in total return NAV

31 Mar 2012 – 31 Mar 2013	9.3
31 Mar 2011 – 31 Mar 2012	3.9
31 Mar 2010 – 31 Mar 2011	8.7
31 Mar 2009 – 31 Mar 2010	29.6
31 Mar 2008 – 31 Mar 2009	9.4

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
31 Jun 05	112.2	112.7	5.6
31 Dec 04	106.7	106.7	8.9

\*Includes re-invested dividends

Source: Ruffer LLP

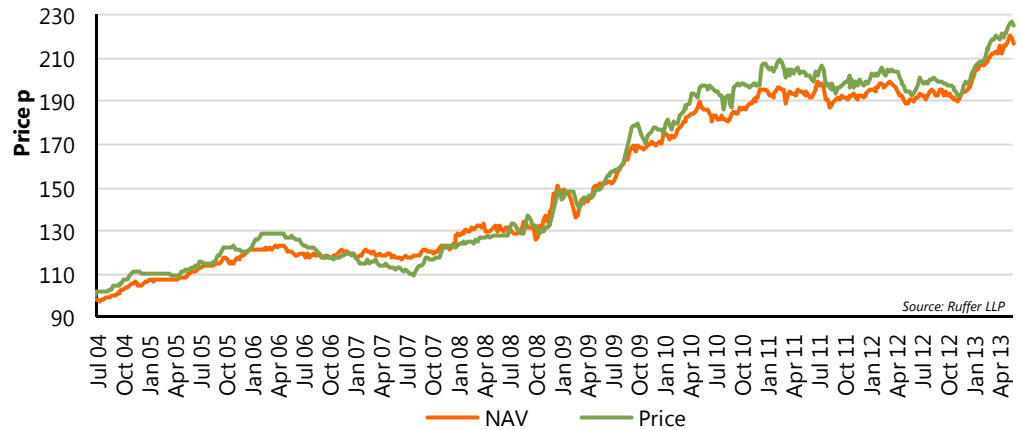
Dividends ex date: 0.5p 30 Mar 05, 7 Sep 05, 22 Mar 06 and 27 Sep 06, 1.25p 21 Mar 07, 26 Sep 07, 5 Mar 08 and 1 Oct 08, 1.5p 4 Mar 09, 30 Sep 09, 3 Mar 10, 1 Sept 10, 2 Mar 11 and 5 Oct 11, 1.6p on 29 Feb 12, 26 Sep 12 and 6 Mar 13

**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 predominantly 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



## Investment report

### Performance details

The net asset value at 31 May was 217.11p representing a rise of 0.5% during the month. The FTSE All-Share rose by 2.9% during the month.

### Performance contributions

Positive contributions this month came not from Japan, which suffered a volatile month and overall cost the portfolio 0.3%, but from equities such as Microsoft, ICAP and BT. However the largest gain came from our holding in the Ruffer Protection Strategies where our previous purchases of US payer swaptions, which are designed to benefit from any rise in US bond yields, provided a healthy gain to offset any losses from our index-linked bonds. For the second month in a row the largest detractor was our exposure to gold and gold mining companies (-0.5%) with the seemingly relentless declines in mining shares a stark reminder of how exasperating a bear market can be.

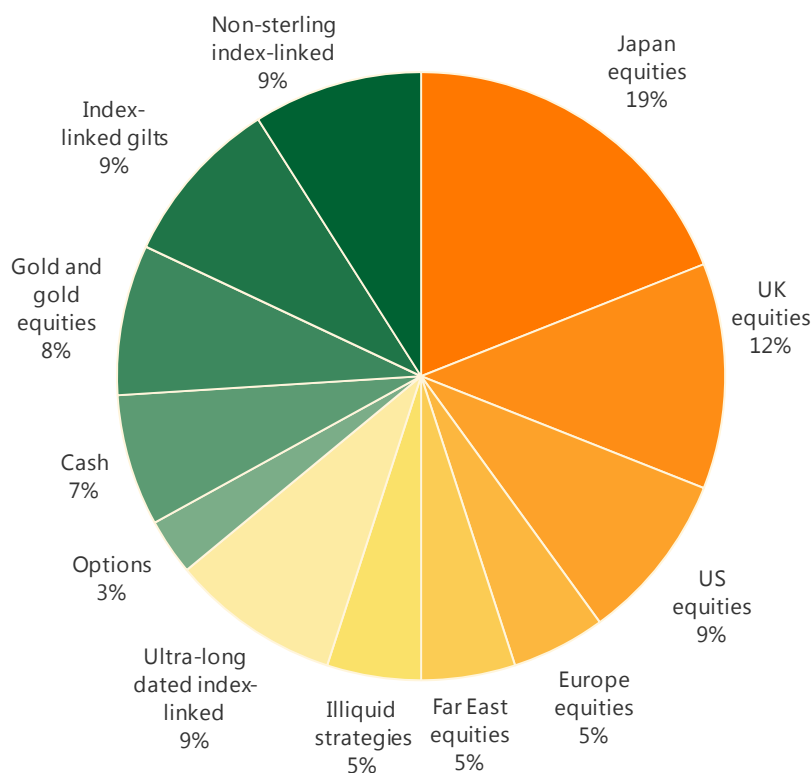
### Market commentary

In May investors were handed a useful reminder that what goes up can, and usually does at some point, also go down. Japanese equities were broadly flat over the month (down 3.5% in sterling) but that masked a 12% rise to a five year high in mid May before they tumbled almost exactly the same amount in little more than a week. At the time of writing the Japanese market has continued to be volatile, and is now in 'correction' territory having fallen 17% from the peak, though to put this into context the Nikkei is still up a quarter this year and more than a half over the last year. We were of course reassured by the boffins who asserted that the 7% one day fall on 23 May was a 6.4-sigma event that should happen on average every two million years, and it seems churlish to observe that there have been now been 15 such falls since 1953. We had however, back in April, taken some profits in the bank and property stocks after they had pretty much doubled since November.

Meanwhile all our analysis in this area, (and our CEO and Head of Research have been out in Japan again in the last month), leads us to conclude that this is an equity market with which we should remain substantially involved. We will have more to say after our own visit to Japan later this month but we note with encouragement that Japanese household spending has enjoyed the biggest increase in nine years with Tiffany's sales in Japan, a very reasonable proxy for luxury spending, up 21% in the last 12 months.

Elsewhere it seems, gentlemen no longer prefer bonds, to judge by last month's events as bond markets suffered their fourth worst month in the last twenty years and yields rose in every major jurisdiction, with the plucky exceptions of Portugal and Slovakia. Explanations given for such moves have been many and varied, but while hopes for better economic growth, especially in the US, might be part of them, a 'will they won't they?' debate around the US Federal Reserve possibly tapering its asset purchase programme certainly played its part. It is one of the paradoxes that we all need reminding of that any improvement in economic news is likely to mean greater volatility and possibly downright declines in financial assets as investors extrapolate to a period of reduced stimulus from central banks. The possibility of a '1994 moment,' where investors lost money simultaneously in both equities and bonds as interest rates rose in response to a brightening economic picture, is, to that extent, a very real concern. We would hope that our swaptions, which have a life of around a year, and our US dollar exposure would provide some protection against such an outcome, while we endeavour to preserve capital and grind out positive returns elsewhere in the portfolio.

## Portfolio structure as at 31 May 2013



Source: Ruffer LLP

## Ten largest holdings as at 31 May 2013

Stock	% of fund
1.25% Treasury index-linked 2017	7.2
Gold Bullion Securities	5.5
1.25% Treasury index-linked 2055	5.4
US Treasury 1.625% TIPS 2018	4.2
Ruffer Protection Strategies	3.6
US Treasury 0.125%TIPS 2022	3.5
CF Ruffer Japanese Fund	3.4
0.375% Treasury index-linked 2062	3.2
T&D Holdings	2.9
BP	2.3

## Five largest equity holdings\* as at 31 May 2013

Stock	% of fund
Gold Bullion Securities	5.5
T&D Holdings	2.9
BP	2.3
Vodafone	2.3
BT	2.0

\*Excludes holdings in pooled funds

Source: Ruffer LLP

### NAV valuation point

Weekly – Friday midnight  
Last business day of the month

### NAV

£322.6m (31 May 2013)

### Shares in issue

148,588,416

### Market capitalisation

£334.3m (31 May 2013)

### No. of holdings

63 equities, 7 bonds (31 May 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

### 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 31 May 2013, assets managed by the group exceeded £15.8bn.



### 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.