Ruffer Investment Company Limited

An alternative to alternative asset management

OCTOBER 2011
ISSUE 77

Share price as at 31 Oct 2011
196.75p

NAV as at 31 Oct 2011
Net Asset Value (per share)
192.03p

Premium/(discount) to NAV
As at 31 Oct 2011
2.5%

Launch price as at 8 Jul 2004
100.00p

RIC A Class since inception
Total Return (NAV)[1]
118.6%

£ Statistics since inception

Standard deviation[2]	2.09%
Maximum drawdown[3]	-7.36%

[1]Including 16.0p of dividends
[2]Monthly data (Total Return NAV)
[3]Monthly data (Total Return NAV)

Percentage growth in total return NAV

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%
30 Sep 2006 – 30 Sep 2007	3.5%

Source: Ruffer LLP

Six monthly return history

Date	NAV (p)	TR NAV* (p)	% Total return
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
30 Jun 07	116.7	120.0	-1.4
31 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*

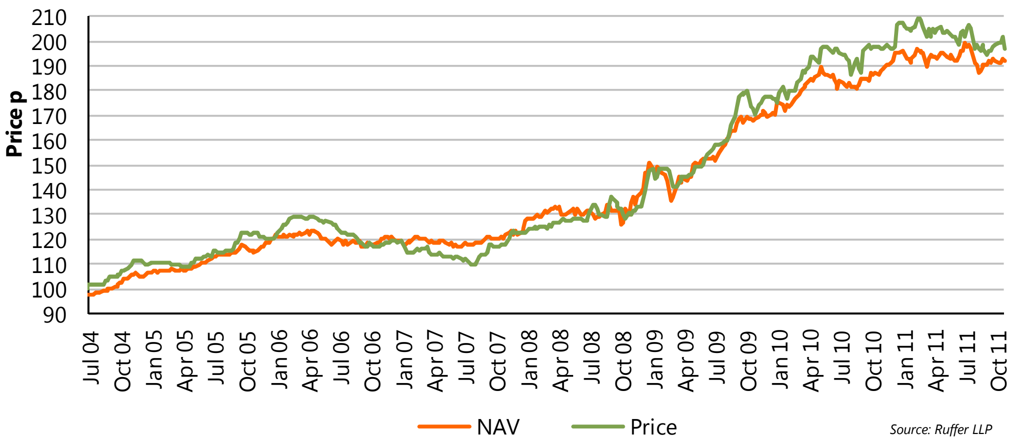
Dividends ex date: 0.5p 30 Mar 05, 30 Sep 05, 22 Mar 06 and 27 Sep 06, 1.25p 21 Mar 07, 26 Sep 07, 5 Mar 08 and 1 Oct 08, 1.5p 4 Mar 09, 30 Sep 09, 3 Mar 10, 1 Sept 10, 2 Mar 11 and 5 Oct 11

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 the end of October 2011 was 192.0p, which, allowing for the dividend, was a rise of 0.3% over the month. On a total return basis, the net asset value of the fund is effectively unchanged since the beginning of the year.

On the one hand, the extraordinary gyrations of 2011 make a nil return surprisingly satisfactory, but there is no escaping the fact that ten months is a long time to go without making any money. We sometimes bemoan our intermittent characteristic of 'tractor on motorway' performance; we hope not to replace it with 'tractor broken down on motorway'. The annual return (end October to end October) remains adequate at approaching 5% on a total return basis.

In a month of exuberance, our hedges which worked so well for us in September held back our performance this month. We did not, however, simply ride the protection up, and give it all back in October. When the Australian dollar was at its weakest, we closed much of the protection for a capital gain of around 1% of the portfolio; we reinstated it at favourable terms mid-month, so that our protection on the commodity currencies is back to a full position.

We used the rally to sell Cisco, taking a small overall loss, but well up from its summer lows. We also sold the rest of the ITV, at just less than break-even.

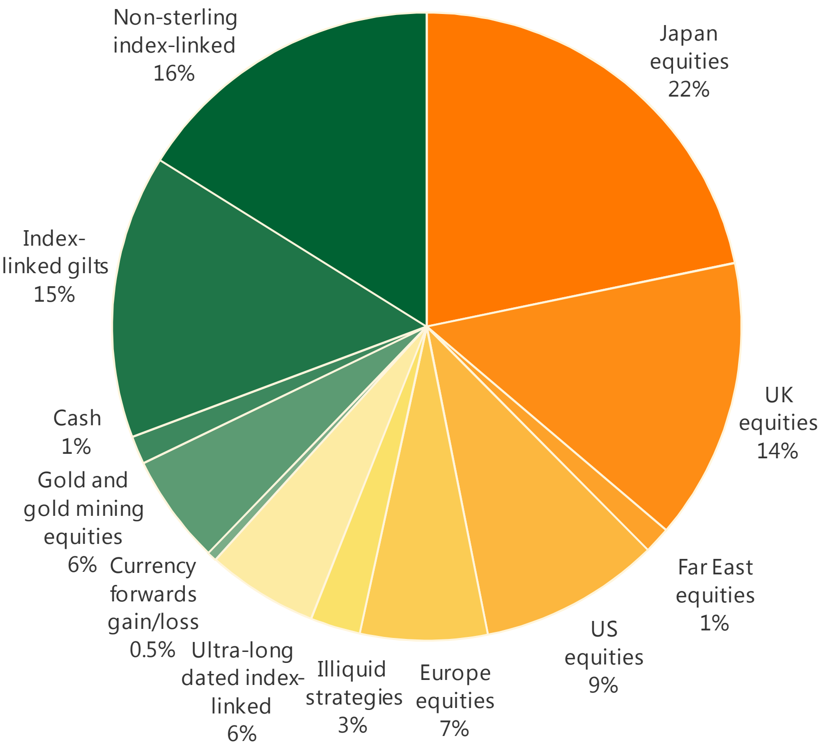
Fund managers all over the world are discovering that there is no hiding place, either in greed or fear, and our board of directors have encouraged us to regard cash held within the banking system as being pretty scrofulous, too. Accordingly, we have parked our liquidity – around £18 million or 7% of NAV – in short-dated inflation-linked bonds, about half in TIPs, and half in gilts; the combination aimed at keeping our currency exposure to the dollar in balance at around 27%.

The equities worked satisfactorily for us, but it was the pigs which flew, and we were too far from the abattoir enormously to benefit from this phenomenon. The defensives were up for choice, but they were not the place to be to enjoy the rally. Our Japanese holdings have a higher beta, and they did correspondingly well in local currency. For the first time for quite a while, our decision to hedge the Japanese yen back to base currency was a decisively correct thing to do. We are aware that our performance in Japan would have been considerably better this year without it. The reason we have held our position is that we think that the denouement in Japan, which will be good for the stock market, will be unequivocally bad for the currency. Thus our decision to run Japanese stocks in sterling is to take a double-risk in this portion of the portfolio – we could have anaesthetised the equity performance by enjoying the strength of the yen, but we want to be in a position to take full advantage of a changed scenario: strong equity markets, weak currency.

Gold made up a bit of ground during the month, but nothing decisive.

Backward looking reviews of portfolios have the virtue of accuracy, but without the interest of forecasting the future. About that, there really is pretty little to say. We continue to watch China as being the part of the world which will give us the next point of interest to the markets: is that country going ex-growth? – in which case the growth we are seeing in the rest of the world (and which is surprising commentators who are determined to be gloomy) may well be extinguished. We have no view at all – anyhow a view that we are admitting to – on Europe, since the events will be decided by the caprice of individuals quite as much as the relentlessly implacable forces of an economic nature. Who would ever have guessed that Papandreou would have called a referendum? None of the 16 billion economic commentators, nor any of the heads of states of the EU. Best not even to identify the cattle in the cattle market!

Portfolio structure as at 31 Oct 2011



Source: Ruffer LLP

NAV valuation point	Weekly – Friday midnight Last business day of the month
NAV	£253.4m (31 Oct 2011)
Shares in issue	131,938,416
Market capitalisation	£259.6m (31 Oct 2011)
No. of holdings	48 equities, 8 bonds (31 Oct 2011)
Share price	Published in the Financial Times
Market makers	ABN AMRO | Cazenove Cenkos Securities | Collins Stewart Numis Securities | Winterflood Securities

JONATHAN RUFFER
Chief Executive
Trained as a stockbroker and barrister before moving into private client investment management in 1980, with Dunbar Fund Managers. Formerly Chief Investment Officer of Rathbone Bros plc, in 2001 became an independent non-executive director of Electric and General Investment Trust PLC. He established Ruffer Investment Management Ltd in 1994, which transferred its investment business to Ruffer LLP in 2004.

HAMISH BAILLIE
Investment Director
Joined Ruffer in 2002. He founded and manages the Edinburgh office of Ruffer LLP which opened in September 2009 and has been appointed to the board of Ruffer (Channel Islands) Limited. 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 JP Morgan Fleming Continental Investment Trust in 2005 and is co-manager of the CF Ruffer Total Return Fund.

Ten largest holdings as at 31 Oct 2011

Stock	% of fund
1.25% Treasury index-linked 2017	7.6
1.25% Treasury index-linked 2055	5.7
US Treasury 1.625% TIPS 2018	4.9
US Treasury 1.625% TIPS 2015	4.7
2.5% Treasury index-linked 2013	4.3
Vodafone	3.4
US Treasury 2.125% TIPS 2040	3.3
US Treasury 1.875%TIPS 2015	3.2
CF Ruffer Baker Steel Gold Fund	3.2
CF Ruffer Japanese Fund	3.0

Five largest equity holdings* as at 31 Oct 2011

Stock	% of fund
Vodafone	3.4
Nippon Telegraph & Telephone	2.9
T&D Holdings	2.8
Koninklijke KPN	2.6
BT	2.5

**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	RBC Dexia Investor Services
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 October 2011, funds managed by the group exceeded £12.4bn, of which over £5.2bn was managed in open-ended Ruffer funds.