



# RUFFER INVESTMENT COMPANY LIMITED

An alternative to alternative asset management

**JANUARY 2013**

ISSUE 92

**Share price as at 31 Jan 2013**

**208.00p**

**NAV as at 31 Jan 2013**

Net Asset Value (per share)

**206.42p**

**Premium/(discount) to NAV**

As at 31 Jan 2013

**0.8%**

**RIC A Class since inception**

Total Return (NAV)<sup>1</sup>

**138.8%**

**£ Statistics since inception**

Standard deviation <sup>2</sup>	2.03%
Maximum drawdown <sup>3</sup>	-7.36%

<sup>1</sup>Including 19.2p 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 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

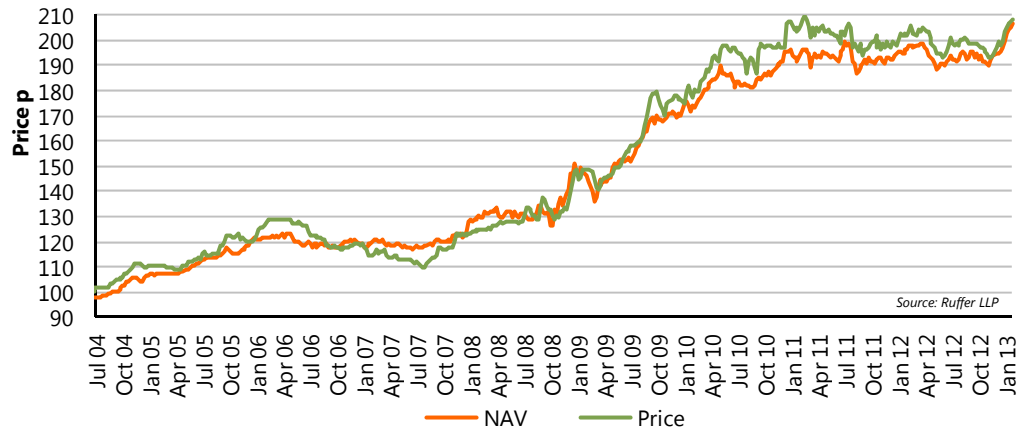
Dividends ex date: 26 Sep 07, 5 Mar 08 and 1 Oct 08, 1.5p 4 Mar 09, 30 Sep 09, 3 Mar 10, 1 Sept 10, 2 Mar 11 and 5 Oct 11, 1.6p on 29 Feb 12 and 26 Sep 12

**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**



Source: Ruffer LLP

**Investment report**

**Performance review**

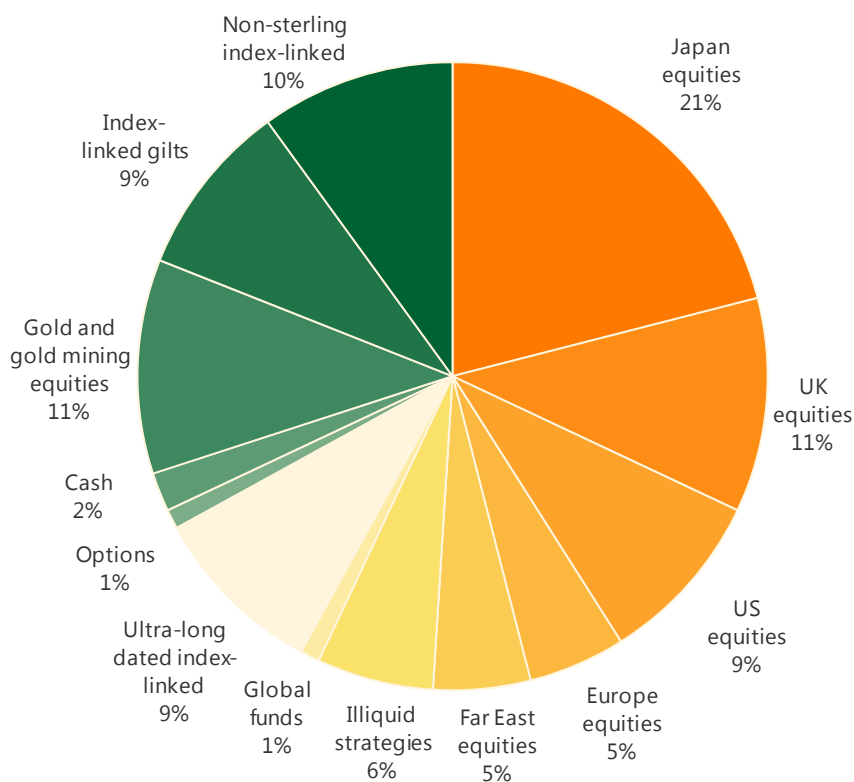
The net asset value at 31 January was 206.4p, representing a rise of 4.9% during the month – the largest monthly increase in NAV since December 2008. The nature of this rise ought to be as much a cause for concern as elation – almost all asset classes held in the company produced a positive return. Absolute return investors should fret when all parts of their portfolio are going up together as it begs the question as to why everything will not go down together when the favourable wind ceases. We often say to investors that we are not trying to be 100% right because by doing so we would run the risk of being 100% wrong and we don't think we are clever enough to be right all the time! Should we be re-jigging the portfolio on the back of January's move? We think not. This was a case of the London bus phenomenon; we were waiting for some time in 2012 for the performance to pick up and then two significant pieces of news came along together. We wrote about the changes afoot in Japan last month and indeed the yen continued to weaken during January and equities rose; as a reminder, our currency exposure is hedged and so we enjoy the full benefit the weakening currency has on corporate Japan. Elsewhere, the consultation in the UK around the calculation of the Retail Price Index (RPI) came to an end and it was decided to leave the index unchanged. We wrote in September last year that we suspected some tinkering with RPI was priced into linkers and the announcement of no-change was accordingly welcomed by the market – long-dated index-linked gilts immediately rose 10% on the news and have made another 5% since then. Whilst this has boosted the return for this month it should be seen as playing catch-up from last year when this part of the portfolio was being held back by the uncertainty created by the consultation. That being said we opportunistically topped up our positions in October some 20% below current levels. As we have said before, the RPI debate should be seen as background noise to the investment case for

holding index-linked gilts; these investments are held as protection against the risks associated with sharply negative real interest rates. If those risks materialise then the indexation element of the long bonds could become a rounding error when compared to the price move resulting from a fear-driven switch into inflation-protected assets. This will be compounded by the lack of alternatives for investors trying to protect the spending power of their money.

**Outlook**

Where to now? As far as index-linked bonds are concerned the investment case remains firmly intact. In the short term, the price move since the RPI announcement shows that there were investors waiting for this uncertainty to pass and there may still be buyers in the pension fund industry needing to stock up which will be helpful. Outside Japan we participated in the wider equity market rally which contributed a third of the month's return, and should be a source of positive performance if the risk-on rally continues. Japan remains intensely interesting. Kentaro Nishida, head of our Japanese team, made the observation that it is the health of the banking sector which will drive change in Japan and the fact that Japanese banks have started to pay corporation tax shows that their process of deleveraging is coming to an end. As Robert Brooke remarked, if the situation in Japan is akin to a farmer planting his crops then twenty years of restructuring have been the preparation of the soil, fertilising and sowing of the seed; the political change is merely the sunshine which will help the seeds grow. Japan has dominated the headlines lately and western investors remain underweight and ambivalent. No doubt the doomsayers will re-emerge at the first hint of a setback, but if fundamental change is really underway then there could be plenty more sunshine to come from this part of the portfolio.

## Portfolio structure as at 31 Jan 2013



Source: Ruffer LLP

## Ten largest holdings as at 31 Jan 2013

Stock	% of fund
1.25% Treasury index-linked 2017	7.8
Gold Bullion Securities	6.8
1.25% Treasury index-linked 2055	5.8
US Treasury 1.625% TIPS 2018	4.4
US Treasury 0.125% TIPS 2022	3.8
0.375% Treasury index-linked 2062	3.5
CF Ruffer Japanese Fund	3.1
T&D Holdings	3.0
Johnson & Johnson	2.4
BT	2.4

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

Stock	% of fund
Gold Bullion Securities	6.8
T&D Holdings	3.0
Johnson & Johnson	2.4
BT	2.4
Vodafone	2.2

\*Excludes holdings in pooled funds

Source: Ruffer LLP

### NAV valuation point

Weekly – Friday midnight  
Last business day of the month

**NAV** £295.9m (31 Jan 2013)

**Shares in issue** 143,338,416

**Market capitalisation** £298.1m (31 Jan 2013)

**No. of holdings** 56 equities, 7 bonds (31 Jan 2013)

**Share price** Published in the Financial Times

**Market makers** Canaccord Genuity  
Cenkos Securities | Numis Securities  
JPMorgan Cazenove | Winterflood Securities

## Company information

<b>Company structure</b>	Guernsey domiciled limited company
<b>Share class</b>	£ sterling denominated preference shares
<b>Listing</b>	London Stock Exchange
<b>Settlement</b>	CREST
<b>Wrap</b>	ISA/SIPP qualifying
<b>Discount management</b>	Share buyback Discretionary redemption facility
<b>Investment Manager</b>	Ruffer LLP
<b>Administrator</b>	Northern Trust International Fund Administration Services (Guernsey) Limited
<b>Custodian</b>	Northern Trust (Guernsey) Limited
<b>Ex dividend dates</b>	March, September
<b>Stock ticker</b>	RICA LN
<b>ISIN</b>	GB00B018CS46
<b>SEDOL</b>	B018CS4
<b>Charges</b>	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 January 2013, assets managed by the group exceeded £14.8bn.



### 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.