



RUFFER INVESTMENT COMPANY LIMITED

An alternative to alternative asset management

AUGUST 2012

ISSUE 87

Share price as at 31 Aug 2012

200.00p

NAV as at 31 Aug 2012

Net Asset Value (per share)

192.39p

Premium/(discount) to NAV

As at 31 Aug 2012

4.0%

Launch price as at 8 Jul 2004

100.00p

RIC A Class since inception

Total Return (NAV)¹

120.8%

£ Statistics since inception

Standard deviation ²	2.03%
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 Jun 2011 – 30 Jun 2012	-0.3%
30 Jun 2010 – 30 Jun 2011	8.8%
30 Jun 2009 – 30 Jun 2010	21.8%
30 Jun 2008 – 30 Jun 2009	18.6%
30 Jun 2007 – 30 Jun 2008	14.8%

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

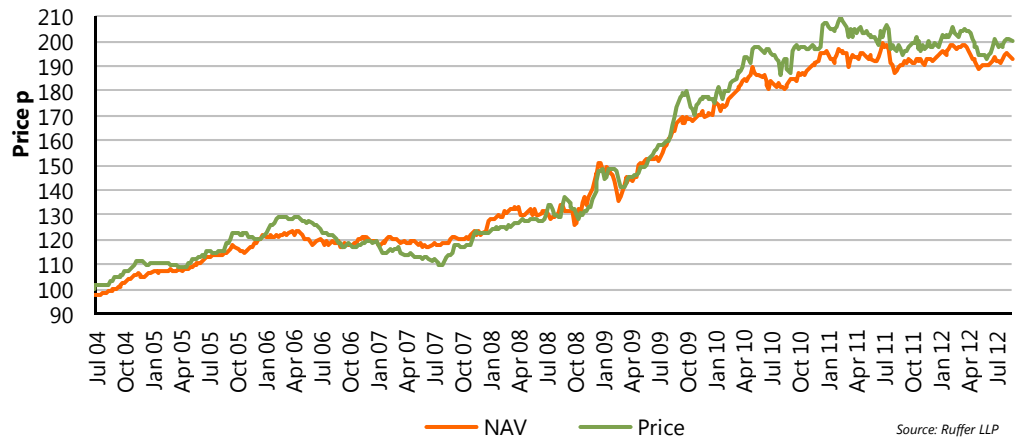
Dividends ex date: 0.5p 30 Mar 05, 30 Sep 05, 22 Mar 06 and 27 Sep 06, 1.25p 21 Mar 07, 26 Sep 07, 5 Mar 08 and 1 Oct 08, 1.5p 4 Mar 09, 30 Sep 09, 3 Mar 10, 1 Sept 10, 2 Mar 11 and 5 Oct 11, 1.6p on 29 Feb 12

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



Investment report

Performance details

The net asset value at 31 August 2012 was 192.4p, unchanged over the month. The FTSE All-Share rose by 2.2% on a total return basis.

Performance contributions

UK equities were the best performers during the month while the 1.4% fall in the US dollar was the primary detractor – we hold 24% of the fund in dollar assets as an offset to a market setback. Most other asset classes had a reasonably quiet month; Japanese equities were slightly down but we made that back on the currency hedge, US equities were positive even after the currency headwind and gold exposure made a small positive contribution.

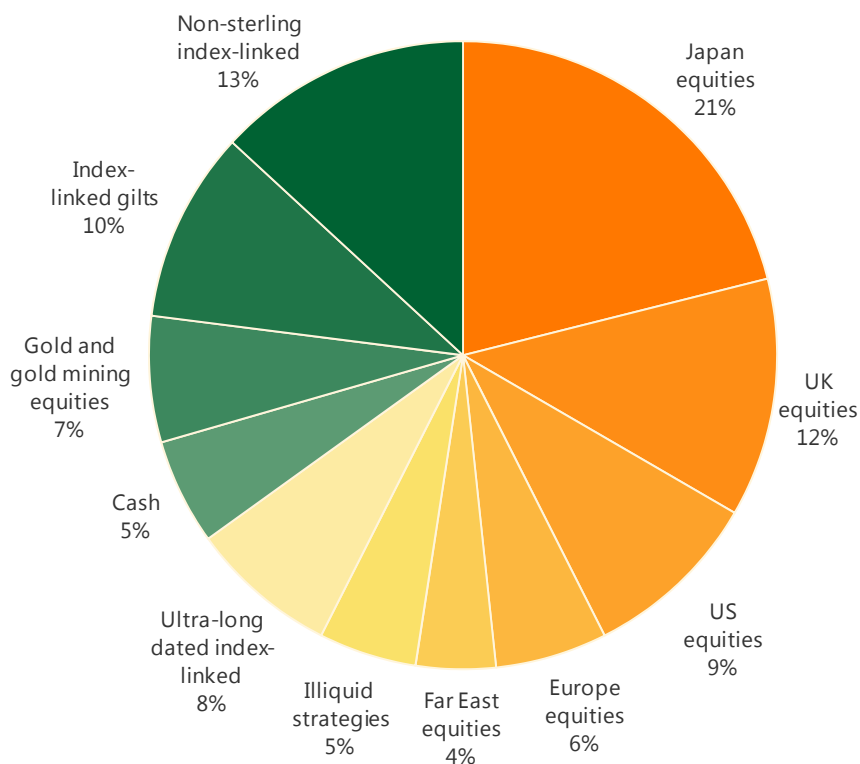
Market commentary

Back in the autumn of 2008 the expression *du moment* amongst economic commentators was *pushing on a string*. It referred to an asymmetry in the effectiveness of monetary policy – central bankers can be quite effective at reining in an expansion by raising interest rates (pulling on the string) but much less effective at counteracting an economic contraction by lowering interest rates and using other supportive measures (pushing on the string). When an economy is growing faster than desired interest rates are notched up gradually but when disaster strikes they come tumbling down very quickly; from the peak in 2007 it took just 12 months to eradicate five years worth of interest rate rises in the UK. Recently, all eyes have been fixed on Mr Bernanke in Jackson Hole in the hope of obtaining an inkling of how the Federal Reserve will move in the autumn. Much was

expected and in true central banker fashion very little new information was delivered. In fact he spent much of the speech defending past actions. This speech illustrated how bare the policy cupboard has become; quantitative easing and rhetoric appear to be the only tools left. Like Pavlov's dogs the market is conditioned to expect central bank stimulus and investors are drooling at the prospect of more to come in the autumn.

However, what was once considered unconventional is now the norm and expectations have risen such that the questions being asked now are *How much?* and *When?* rather than *Why?* (or *What!*). The result is that each time the printing presses are deployed the impact needs to be ever greater than before in order to avoid disappointment. Even now, almost four years after the initial programme, no one is sure how effective it has been let alone what the longer term consequences will be. What is clear is that the bigger and bolder these initiatives become in order to satisfy market expectations, the greater the likelihood of a loss of confidence in paper money as a store of value. Much like the lead up to the credit crisis where the direction of travel could be seen but the lightning conductor of subprime mortgages was difficult to identify, so now it is difficult to know what will tip this fragile balance over the edge. I doubt we will have to wait for QE8 to find out whether the Fed are pushing on a string or lighting a fuse.

Portfolio structure as at 31 Aug 2012



Source: Ruffer LLP

Ten largest holdings as at 31 Aug 2012

Stock	% of fund
1.25% Treasury index-linked 2017	8.2
1.25% Treasury index-linked 2055	5.7
US Treasury 1.625% TIPS 2018	4.7
US Treasury 1.625% TIPS 2015	4.0
Nippon Telegraph & Telephone	3.0
US Treasury 1.875% TIPS 2015	3.0
CF Ruffer Japanese Fund	2.7
T&D Holdings	2.6
Vodafone	2.5
Johnson & Johnson	2.4

Five largest equity holdings* as at 31 Aug 2012

Stock	% of fund
Nippon Telegraph & Telephone	3.0
T&D Holdings	2.6
Vodafone	2.5
Johnson & Johnson	2.4
BT	2.2

*Excludes holdings in pooled funds

Source: Ruffer LLP

NAV valuation point

Weekly – Friday midnight
Last business day of the month

NAV

£275.5m (31 Aug 2012)

Shares in issue

143,188,416

Market capitalisation

£286.4m (31 Aug 2012)

No. of holdings

57 equities, 8 bonds (31 Aug 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 number

GB00B018CS46

SEDOL number

B018CS4

Charges

Annual management charge 1.0%
with no performance fee

Enquiries

Alexander Bruce
Tel +44 (0)20 7963 8104
Ruffer LLP Fax +44 (0)20 7963 8175
80 Victoria Street rif@ruffer.co.uk
London SW1E 5JL www.ruffer.co.uk



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.

Ruffer LLP

Ruffer LLP manages investments on a discretionary basis for private clients, trusts, charities and pension funds. As at 31 Aug 2012, funds managed by the group exceeded £13.6bn.