Ruffer Investment Company Limited

An alternative to alternative asset management

JUNE 2013
ISSUE 97

Share price as at 28 Jun 2013

216.25p

NAV as at 28 Jun 2013
Net Asset Value (per share)

214.99p

Premium/(discount) to NAV
As at 28 Jun 2013

0.6%

NAV total return[1]
Since inception

150.6%

£ Statistics since inception

Standard deviation[2]	2.00%
Maximum drawdown[3]	-7.36%

[1]Including 20.8p of dividends
[2]Monthly data (Total Return NAV)
[3]Monthly data (Total Return NAV)

Percentage growth in total return NAV

30 Jun 2012 – 30 Jun 2013	13.8
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

Source: Ruffer LLP

Six monthly return history

Date	NAV (p)	TR NAV* (p)	% Total return
30 Jun 13	215.0	245.6	10.1
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 LLP*

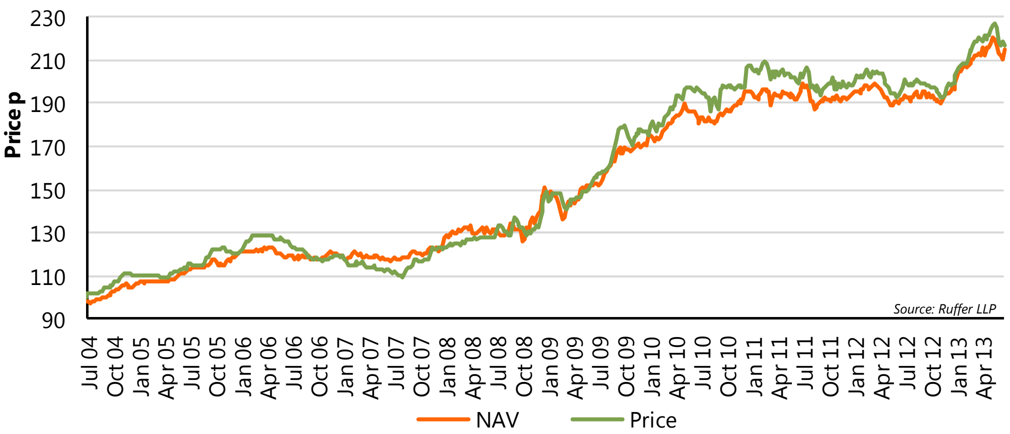
Dividends ex date: 0.5p 30 Mar 05, 7 Sep 05, 22 Mar 06 and 27 Sep 06, 1.25p 21 Mar 07, 26 Sep 07, 5 Mar 08 and 1 Oct 08, 1.5p 4 Mar 09, 30 Sep 09, 3 Mar 10, 1 Sept 10, 2 Mar 11 and 5 Oct 11, 1.6p on 29 Feb 12, 26 Sep 12 and 6 Mar 13

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 28 June was 214.99p, representing a fall of 1% during the month compared with a fall of 5% in the FTSE All-Share. In the first half of the year, NAV rose by 10.1%; the FTSE All-Share was up 8.5% over the same period.

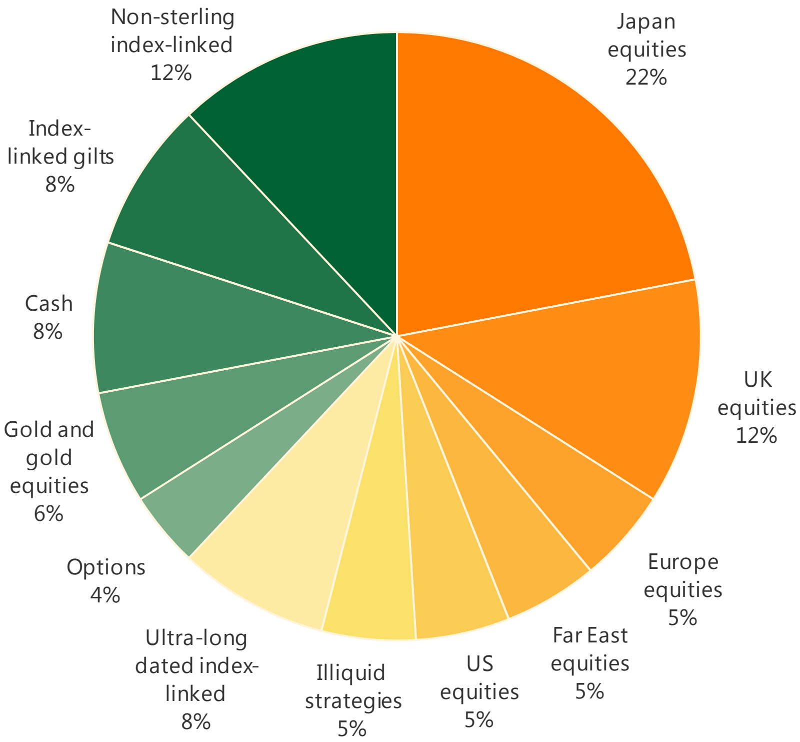
Performance commentary

Given the events that have unfolded in June, there is some relief that the company's portfolio held up as well as it did. It was not so much the severity of the fall in equity markets that hurt investors but the fact that there were very few places to hide. The traditional 65:35 (equities:bonds) approach had a torrid time as equities and government bonds fell in tandem. Those with a penchant for emerging markets were hit hardest; Brazilian equities have fallen 28% in dollar terms this year and Chinese equities are 18% off their peak. Market movements were dominated by the desire of central banks to slap the wrists of speculators. In the US, the Federal Reserve whispered that easy money would not be around for ever. The subsequent sharp rise in treasury yields and fall in equities demonstrates that the Fed is right to be concerned at the moral hazard present in financial markets; the promise of 'lower-for-longer' interest rates has fuelled ever-increasing risk taking. In China, where credit growth in recent years has only been outdone by the corresponding fall in lending standards, the authorities tried to tighten the leash on its financial sector by reminding lenders that a government bailout is not assured when their loan books turn sour; interbank lending rates rose sharply as a result. On the one hand, both these actions show prudent central banking; prick the bubble before it become too big a problem. On the other hand, the response of bond and equity prices shows how the rise in markets has been built on the fragile foundations of central bank support. Were this not the case, equities would have performed well on the news of an improving US economic outlook.

In the last monthly review, we referred to the possibility of equities and bonds falling in tandem. This has been quite an unusual phenomenon in recent times; since the late 1990's they have acted as offsets to each other. However, if the clock is wound back by more than 15 years, history shows us that it is not at all unusual for these two asset classes to rise and fall together. Given that this scenario would hurt several parts of our portfolio (index-linked bonds, gold and equities) we started buying interest rate payer swaptions last December – insurance policies against rising government bond yields. Last month index-linked bonds and gold stocks cost a combined 2% and these options recouped more than half of this amount, while Japanese equities added 0.7% to the return.

There has been considerable volatility in Japanese equities in recent months. We saw spectacular gains in the first four months of the year which encouraged us to take some profits in March. Some of the market's gains were given back in May and June was a period of relative calm, with the equity market unchanged during the month. Our visit to Japan in June confirmed the conviction we have in the longer term investment case. Over the course of three weeks, our team of analysts met with politicians, central bank officials and companies. The most encouraging take-away was not that Abenomics is considered a sure thing but that there was unanimity in the desire to make it work. As one company director told us, for the first time in living memory, the government, the central bank, the corporate sector and the electorate are all aligned in terms of what they want to achieve. This does not mean that economic reforms are certain to succeed but it greatly increases the chances of success. After the Upper House elections in July, Prime Minister Abe will announce the structural changes of his 'third arrow'. These reforms are crucial to holding onto the ground that has already been gained and ensuring that the longer term economic turnaround prevails. We have been adding back the equity exposure taken out in March and it is pleasing to be able to do so at levels around 15% below where we sold.

Portfolio structure as at 28 Jun 2013



Source: Ruffer LLP

Ten largest holdings as at 28 Jun 2013

Stock	% of fund
1.25% Treasury index-linked 2017	7.0
1.25% Treasury index-linked 2055	5.1
Gold Bullion Securities	4.8
Ruffer Protection Strategies	4.5
US Treasury 1.625% TIPS 2018	4.1
CF Ruffer Japanese Fund	3.5
US Treasury 0.125%TIPS 2022	3.3
T&D Holdings	3.1
0.375% Treasury index-linked 2062	3.1
US Treasury 2.125% TIPS 2041	2.9

Five largest equity holdings* as at 28 Jun 2013

Stock	% of fund
Gold Bullion Securities	4.8
T&D Holdings	3.1
BP	2.3
Vodafone	2.2
Kao Corp	1.8

**Excludes holdings in pooled funds*

Source: Ruffer LLP

NAV valuation point	Weekly – Friday midnight Last business day of the month
NAV	£320.7m (28 Jun 2013)
Shares in issue	149,188,416
Market capitalisation	£322.6m (28 Jun 2013)
No. of holdings	60 equities, 8 bonds (28 Jun 2013)
Share price	Published in the Financial Times
Market makers	Canaccord Genuity Cenkos Securities | Numis Securities JPMorgan Cazenove | Winterflood Securities

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.

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

Ruffer LLP
80 Victoria Street
London SW1E 5JL

Tel +44 (0)20 7963 8254
Fax +44 (0)20 7963 8175
rif@ruffer.co.uk
www.ruffer.co.uk

Ruffer LLP
Ruffer LLP manages investments on a discretionary basis for private clients, trusts, charities and pension funds. As at 30 June 2013, assets managed by the group exceeded £15.7bn.