



RUFFER INVESTMENT COMPANY LIMITED

An alternative to alternative asset management

JUNE 2011

ISSUE 73

Share price as at 30 Jun 2011

203.50p

NAV as at 30 Jun 2011

Net Asset Value (per share)

195.61p

Premium/(discount) to NAV

As at 30 Jun 2011

4.0%

Launch price as at 8 Jul 2004

100.00p

RIC A Class since inception

Total Return (NAV)¹

120.9%

£ Statistics since inception

Standard deviation² 2.06%

Maximum drawdown³ -7.36%

¹Including 14.5p of dividends

²Monthly data (Total Return NAV)

³Monthly data (Total Return NAV)

Source: Ruffer LLP

Percentage growth in total return NAV

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%

30 Jun 2006 – 30 Jun 2007 -0.8%

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 and 2 Mar 11

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 of Ruffer Investment Company at the halfway stage of 2011 was 195.6p, up 0.7% on the month. The performance for the year to date, including the 1.5p dividend declared in March is almost exactly 1%.

This is a pretty uninspiring figure for the six months, but the annual return end June to end June is just about 9%, and highlights the need to take at least a modicum of account of the longer term performance. The difficulty with giving a fund manager long enough to establish his credentials is that it probably takes ten years to establish whether or not someone is an effective money manager: great if he is, but it's rather a waste of a decade if the extra time merely confirmed one's early suspicions. Our stated aim at Ruffer is to try not to lose money on a one year rolling basis, which is probably too short, but my own judgement is that two unsatisfactory years back-to-back would be starting to tell a story.

The 'macro' hedge funds had a bad start to 2011, and our somewhat similar style – looking primarily at the big picture – confirms that it was difficult to remain sure footed throughout. Our main reaction is one of relief. The temptation is always to be too active in these markets, and it is easy to be whiplashed – wrong in an initial call, and wrong again in the change of mind.

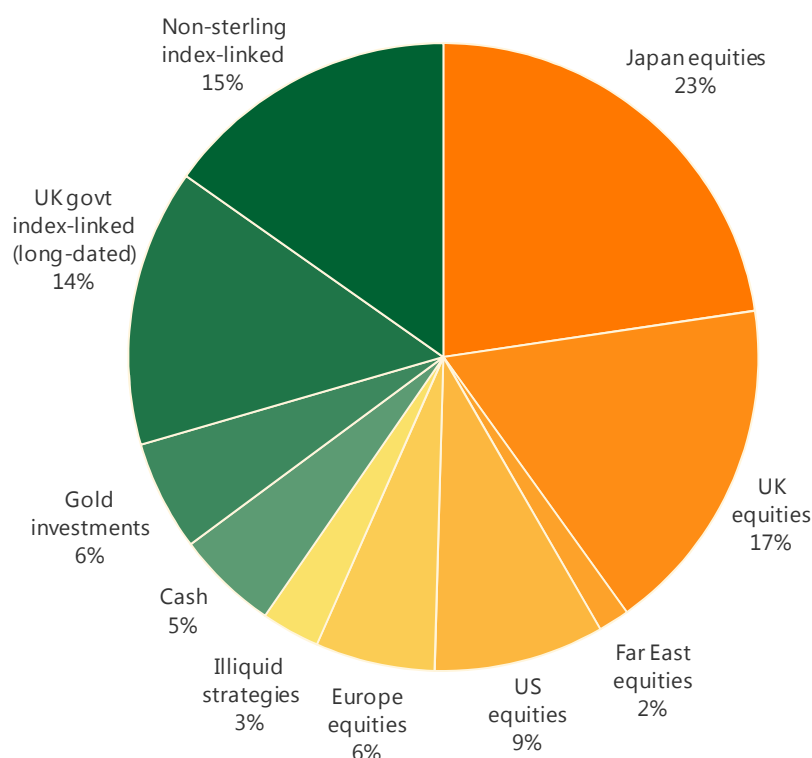
In this regard, we have, thus far, got away with our *volte face* on the dollar. The rise in the dollar against sterling has been of real value to the performance, and, more importantly, it seems to have re-established its credentials as an offset in weak markets. The concern must be that the political brinkmanship over the unsustainably high budget deficit gets out of hand, with bad effects on both the dollar and world interest rates; we were sanguine about the shootout in the Athens branch of the OK Corral; we feel similarly about the United States.

Nevertheless, we do remain concerned about what is going on in China. We think that the Chinese authorities have no idea how to rein back the growth in the money supply before the problem of domestic inflation becomes entrenched and more acute. Moreover, the opacity of the official data out of China means that not only do they not know what they are going to do, but we do not even know what they have already done. In a febrile investment world, where investors are taxed out of holding the riskless alternative, cash on deposit, any sign that things are awry in China could result in a pretty severe retreat in markets, a retreat which could easily be confirmed into a sharply slowing world economy. Just as the financial markets informed the collapse of trade in late 2008, we think the same thing could happen again. This would be bad for commodities, bad especially for places like Brazil, which in turn could hit the Spanish banks – it is certainly true that our concerns on European stability are more centred on Spain than ever they were on Greece.

There's nothing like a rally in Tokyo to remind one of the excellence of our investment judgement there. In fact, the political outlook, and that of the attitude of central banks, is pretty dire. We thought after the tsunami there might be a bold and energetic move towards an unequivocally reflationary policy in Japan. It hasn't happened, and, while we believe that it will eventually happen, we may have to endure the drizzle of some policy mistakes first. Nevertheless, the tsunami has demonstrated just how powerful Japanese manufacturing is in niche areas, and we think that the success that we had in finding *mittelstad* companies in Germany and Switzerland a decade or less ago could be repeated in Japan.

You have been warned.

Portfolio structure as at 30 Jun 2011



Source: Ruffer LLP

Ten largest holdings as at 30 Jun 2011

Stock	% of fund
1.25% Treasury index-linked 2017	6.2
US Treasury 2.125% TIPS 2040	5.6
1.25% Treasury index-linked 2055	5.4
US Treasury 1.625% TIPS 2015	4.8
US Treasury 1.625% TIPS 2018	4.8
CF Ruffer Baker Steel Gold Fund	3.4
Vodafone	3.4
T&D Holdings	3.3
CF Ruffer Japanese Fund	3.2
Ruffer Illiquid Strategies Fund 2009 Ltd	3.0

Five largest equity holdings* as at 30 Jun 2011

Stock	% of fund
Vodafone	3.4
T&D Holdings	3.3
Koninklijke KPN	3.0
Nippon Telegraph & Telephone	2.7
BT	2.7

*Excludes holdings in pooled funds

Source: Ruffer LLP

NAV valuation point

Weekly – Friday midnight
Last business day of the month

NAV

£248.7m (30 Jun 2011)

Shares in issue

127,138,416

Market capitalisation

£258.7m (30 Jun 2011)

No. of holdings

50 equities, 6 bonds (30 Jun 2011)

Share price

Published in the Financial Times

Market makers

ABN AMRO
Cazenove
Cenkos Securities
Collins Stewart
Numis Securities
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

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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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.



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.

Ruffer LLP

Ruffer LLP manages investments on a discretionary basis for private clients, trusts, charities and pension funds. As at 30 June 2011, funds managed by the group exceeded £12bn, of which over £5.1bn was managed in open-ended Ruffer funds.