



**RUFFER  
INVESTMENT  
COMPANY LIMITED**

**Half-yearly financial report**

**31 December 2013**



# RUFFER INVESTMENT COMPANY LIMITED

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# RUFFER INVESTMENT COMPANY LIMITED

## Investment Objective and Policy

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 base rate (0.5% for the period ended 31 December 2013).

The Company predominantly invests in internationally listed or quoted equities or equity-related securities (including convertibles) and bonds which are issued by corporate issuers, supra-nationals or government organisations.

## Financial Highlights

	31.12.13	
	Offer Price	Net Asset Value
	£	£
Redeemable participating preference shares	2.118†	2.121*

† The price an investor would be expected to pay at the close of trading in the market (London Stock Exchange).

\* This is the Net Asset Value for valuation purposes as at 31.12.13. The Fund is valued weekly and at month end.

## Company Information

Incorporation Date	01.06.04	
Launch Date	08.07.04 (C shares: 29.09.05)	
Initial Net Asset Value	98p per share (98p per 'C' share)**	
Launch Price	100p per share (100p per 'C' share)	
Accounting dates	Interim	Final
	31 December	30 June
	(Unaudited)	(Audited)

\*\* On 12 December 2005, the 'C' shares were converted into redeemable participating preference shares in the Company at a ratio of 0.8314 redeemable participating preference shares for each 'C' share, in accordance with the conversion method in the Placing and Offer for Subscription Document.

# RUFFER INVESTMENT COMPANY LIMITED

## Investment Manager's Report

### For the period from 1 July 2013 to 31 December 2013

In the six months from 1 July 2013 to 31 December 2013, the net asset value per share of the Company fell from 214.99p to 212.11p\*. After allowing for the dividend of 1.7p paid during the period this equates to a total return of -0.55%. The target return of twice the Bank of England base rate rose 0.5% over the period.

Since launch on 8 July 2004, the net asset value of the company has risen by 149.3%\*\* including dividends, compared with a rise of 62.9% in the target return and 130.5% in the FTSE Allshare Total Return index.

A strong base currency can disrupt an internationally invested portfolio. Sterling enjoyed a stellar run in the last 6 months as the accidental co-ordination of monetary and fiscal policy in the UK showed the other western economies how stimulus should be done. Sterling rose 8.4% against the dollar, 13.5% against the yen and 2.9% against an otherwise strong euro. This should not be seen as an excuse for a period of lacklustre performance; we have the ability to hedge overseas currency exposure and in the case of the euro and the yen this was done. However, we chose not to hedge our US dollar exposure and this cost us approximately 230 basis points in performance terms. We regard the US dollar as one of the portfolio's offsetting assets (something which will do well when equity markets are falling) and it has served the Company well in recent years when markets have been under pressure. It should come as no surprise that options (another offsetting asset class) also cost us in performance terms (170 basis points). Both these insurance policies were not required in a period when insouciant equity markets continued to spiral higher with the fair wind of central bank support on their backs. Our other protective positions of index-linked bonds and gold investments fared somewhat better and broke even during the period but had already suffered their falls in the first half of the year. On a brighter note the Company's equity positions performed admirably. The UK and Japan topped the pile but there were also strong performers in the US, Europe and Asia. The top contributors in descending order were Vodafone, Oakley Capital and ITV. Our equity exposure is concentrated in Japan where we have seen some stellar performance in the last 12 months but we still feel there is more to go for. This year will see the implementation of some unpopular and deflationary policies but Abe's New Year message was that there is sufficient dry powder in terms of stimulus within the Bank of Japan and his government to offset this effect. Abe needs to convince the Japanese public that inflation is possible. If this is achieved then there is an incentive for both companies and individuals to spend and invest rather than sit unproductively in cash. It will not be easy to turn around the juggernaut of deflationary expectations but if this is achieved then the prospects for Japan look intensely interesting. An important piece of the puzzle is wage growth. We have already seen increases in bonuses and we will be looking out for base salary rises in the first quarter of 2014.

Deflationary forces remain in the ascendancy in the developed world despite the considerable efforts of central banks with their inflationary policies. The doubters will say that central banks have failed as both reported inflation and breakevens remain subdued at best and on the verge of deflation in the case of Europe. There has been considerable inflation but it has been focussed on asset prices – try telling a cash deposit holder that he has not lost purchasing power in London property or global equities. Our belief remains that central banks will do whatever it takes to avoid deflation and our primary concern is that in their efforts to do so we will see an inflationary overshoot; it may even be politically desirable to do so. With this in mind our primary concern is to protect our investors' purchasing power. This means holding both inflation-protected assets to protect against negative real interest rates and equities

# **RUFFER INVESTMENT COMPANY LIMITED**

## **Investment Manager's Report (continued)**

to allow us to make a positive return while the central bank fuelled party in asset price inflation continues.

Ruffer LLP  
16 January 2014

\* Value reported to the London Stock Exchange, using mid market price.

\*\* The calculation of the Total Return includes an amount of 32.17 pence per share which represents the notional amount by which dividends paid to date would have grown if they had not been paid out as dividends but reinvested within the Company.

# RUFFER INVESTMENT COMPANY LIMITED

## Company Performance

	Price at 31.12.13		Change in Bid Price	
	Bid Price £	Offer Price £	From Launch %	From 30.06.13 %
Shares	2.105	2.118	+ 110.50	- 2.68

Prices are published in the Financial Times in the “Investment Companies” section, and in the Daily Telegraph’s “Share Prices & Market Capitalisations” section under “Investment Trusts”.

### Fund Size

	Net Asset Value £	Net Asset Value per Share £	Number of Shares In Issue
31.12.13	323,854,200	2.118*	152,913,416
30.06.13	319,114,093	2.139	149,188,416
30.06.12	270,884,661	1.915	141,488,416
30.06.11	248,248,134	1.953	127,138,416
30.06.10	178,695,014	1.823	98,042,672
30.06.09	135,603,281	1.521	89,129,703

\* Net Asset Value per share reported to the London Stock Exchange was £2.121 using mid market values. Bid prices are presented as fair value in the financial statements.

### Share Price Range

Accounting Period to:	Highest Offer Price £	Lowest Bid Price £
31.12.13	2.290	2.105
30.06.13	2.310	1.915
30.06.12	2.070	1.900
30.06.11	2.110	1.850
30.06.10	2.005	1.555
30.06.09	1.570	1.250

### Net Asset Value Range

Accounting Period to:	Highest NAV £	Lowest NAV £
31.12.13	2.206	2.092
30.06.13	2.208	1.903
30.06.12	1.991	1.871
30.06.11	1.960	1.810
30.06.10	1.897	1.518
30.06.09	1.526	1.266

*Past performance is not a guide to the future. The value of the shares and the income from them can go down as well as go up and you may not get back the amount originally invested.*

# RUFFER INVESTMENT COMPANY LIMITED

## Top Ten Holdings

Stock name	Currency	Holding at 31.12.13	Fair Value £	% of Total Net Assets
UK Index-Linked Gilt 1.25% 22/11/2017	GBP	15,604,400	22,421,416	6.92
UK Index-Linked Gilt 1.25% 22/11/2055	GBP	8,430,000	16,570,961	5.12
US Treasury Inflation Indexed 1.625%				
Bond 15/01/2018	USD	16,300,000	11,924,555	3.68
US Treasury Inflation Indexed 0.625%				
Bond 15/07/2021	USD	19,350,000	11,841,908	3.66
UK Index-Linked Gilt 0.375%				
22/03/2062	GBP	8,000,000	9,940,816	3.07
US Treasury Inflation Indexed 0.125%				
Bond 15/01/2022	USD	16,000,000	9,581,172	2.96
T&D Holdings	JPY	1,134,000	9,556,391	2.95
Gold Bullion Securities	USD	121,519	8,465,426	2.61
US Treasury Inflation Indexed 2.125%				
Bond 15/02/2041	USD	11,000,000	7,958,980	2.46
CF Ruffer Japanese Fund*	GBP	4,500,000	7,703,100	2.38

\* CF Ruffer Japanese Fund is classed as a related party as it shares the same Investment Manager as the Company.



# RUFFER INVESTMENT COMPANY LIMITED

## Responsibility Statement

### Responsibility statement of the Directors in respect of the half-yearly financial report

We confirm that to the best of our knowledge:

- the condensed set of half-yearly financial report has been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting;”
- the condensed set of half-yearly financial reports (including the Investment Manager’s Report) meets the requirements of an interim management report and includes a fair review of the information required by:
  - (a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of principal risks and uncertainties for the remaining six months of the year; and
  - (b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

On behalf of the Board,

*Ashe Windham*  
Chairman

26 February 2014

*Christopher Spencer*  
Director

26 February 2014

# **RUFFER INVESTMENT COMPANY LIMITED**

## **Independent Review Report**

### **To the Members of Ruffer Investment Company Limited**

#### **Introduction**

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2013 which comprises the condensed statement of financial position, condensed statement of comprehensive income, condensed statement of changes in equity, condensed statement of cash flows and summary of significant accounting policies and other explanatory notes.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

#### **Directors' Responsibilities**

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the Company are prepared in accordance with International Financial Reporting Standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting".

#### **Our Responsibility**

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

#### **Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom.

A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

# **RUFFER INVESTMENT COMPANY LIMITED**

## **Independent Review Report (continued)**

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2013 is not prepared, in all material respects, in accordance with International Accounting Standard 34 and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

### **MOORE STEPHENS**

Chartered Accountants  
Town Mills South  
La Rue Du Pre  
St Peter Port  
Guernsey GY1 3HZ

26 February 2014

**RUFFER INVESTMENT COMPANY LIMITED**  
**Condensed Statement of Financial Position (Unaudited)**

	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>31.12.13</b>	<b>30.06.13</b>
<i>Notes</i>	<b>£</b>	<b>£</b>
<b>ASSETS</b>		
Cash and cash equivalents	18,957,196	21,095,015
Derivative financial assets	1,868,137	35,184
Receivables	676,664	3,142,888
Financial assets at fair value through profit or loss	<u>302,796,005</u>	<u>298,656,047</u>
<b>Total assets</b>	<u>324,298,002</u>	<u>322,929,134</u>
<b>EQUITY</b>		
<b>Capital and reserves attributable to the Company's shareholders</b>		
Management share capital	3	2
Net assets attributable to holders of Redeemable participating preference shares	<u>323,854,200</u>	<u>319,114,093</u>
<b>Total equity</b>	<u>323,854,202</u>	<u>319,114,095</u>
<b>LIABILITIES</b>		
Payables	443,800	3,323,044
Derivative financial liability	–	<u>491,995</u>
<b>Total liabilities</b>	<u>443,800</u>	<u>3,815,039</u>
<b>Total Equity and Liabilities</b>	<u>324,298,002</u>	<u>322,929,134</u>
Net assets attributable to holders of Redeemable participating preference shares (per share)	<u>2.118</u>	<u>2.139</u>

The financial statements on pages 9 to 18 were approved on 26 February 2014 and signed on behalf of the Board of Directors by:

*Ashe Windham*  
*Chairman*

*Christopher Spencer*  
*Director*

The notes on pages 13 to 18 form an integral part of the interim condensed financial statements.

**RUFFER INVESTMENT COMPANY LIMITED**  
**Condensed Statement of Comprehensive Income (Unaudited)**

	<b>01.07.2013 to</b>		<b>01.07.2012 to</b>	
	<b>31.12.2013</b>		<b>31.12.2012</b>	
	<b>Revenue</b>	<b>Capital</b>	<b>Total</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Bank interest income	2,918	–	2,918	3
Fixed interest income	453,766	–	453,766	466,159
Dividend income	2,018,880	–	2,018,880	2,169,753
Net (losses)/gains on financial assets at fair value through profit or loss	–	(6,908,771)	(6,908,771)	3,327,540
Other gains	–	5,844,365	5,844,365	5,536,043
<b>Total income</b>	<u>2,475,564</u>	<u>(1,064,406)</u>	<u>1,411,158</u>	<u>11,499,498</u>
Management fees	–	(1,567,297)	(1,567,297)	(1,301,347)
Expenses	(354,987)	(97,866)	(452,853)	(525,423)
<b>Total expenses</b>	<u>(354,987)</u>	<u>(1,665,163)</u>	<u>(2,020,150)</u>	<u>(1,826,770)</u>
<b>(Loss)/profit for the period before tax</b>	2,120,577	(2,729,569)	(608,992)	9,672,728
Withholding tax	(264,244)	–	(264,244)	(243,678)
<b>(Loss)/profit for the period after tax</b>	<u>1,856,333</u>	<u>(2,729,569)</u>	<u>(873,236)</u>	<u>9,429,050</u>
<b>Total comprehensive (expense)/ income for the period</b>	<u>1,856,333</u>	<u>(2,729,569)</u>	<u>(873,236)</u>	<u>9,429,050</u>
Basic and diluted (loss)/earnings per share *	1.22p	(1.80p)	(0.58p)	6.59p

\* Basic and diluted (loss)/earnings per share are calculated by dividing the profit after taxation and increase in net assets attributable to holders of redeemable participating preference shares by the weighted average number of redeemable participating preference shares. The weighted average number of shares for the period was 151,574,692 (30.06.2013: 144,391,152).

The notes on pages 13 to 18 form an integral part of the interim condensed financial statements.

**RUFFER INVESTMENT COMPANY LIMITED**  
**Condensed Statement of Changes in Equity (Unaudited)**

	<b>Share capital</b>	<b>Distributable reserves</b>	<b>Total 01.07.2013 to 31.12.2013</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Balance at 30 June 2013	114,304,639	204,809,454	319,114,093
Total comprehensive expense for the period	–	(873,236)	(873,236)
Transactions with Shareholders:			
Share capital issued	8,280,375	–	8,280,375
Share issue costs	(82,804)	–	(82,804)
Distribution for the period	–	(2,584,228)	(2,584,228)
Balance at 31 December 2013	<u>122,502,210</u>	<u>201,351,990</u>	<u>323,854,200</u>
Net Assets attributable to holders of redeemable participating preference shares at the end of the period			<u>323,854,200</u>

	<b>Share capital</b>	<b>Distributable reserves</b>	<b>Total 01.07.2011 to 31.12.12</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<i>Balance at 30 June 2012</i>	97,982,885	172,901,776	270,884,661
<i>Total comprehensive income for the period</i>	–	9,429,050	9,429,050
<i>Transactions with Shareholders:</i>			
<i>Share capital issued</i>	3,672,350	–	3,672,350
<i>Share issue costs</i>	(42,485)	–	(42,485)
<i>Distribution for the period</i>	–	(2,293,415)	(2,293,415)
<i>Balance at 31 December 2012</i>	<u>101,612,750</u>	<u>180,037,411</u>	<u>281,650,161</u>
<i>Net Assets attributable to holders of redeemable participating preference shares at the end of the period</i>			<u>281,650,161</u>

Under The Companies (Guernsey) Law, 2008, the Company can distribute dividends from capital and revenue reserves, subject to a net asset and solvency test.

The notes on pages 13 to 18 form an integral part of the interim condensed financial statements.

# RUFFER INVESTMENT COMPANY LIMITED

## Condensed Statement of Cash Flows (Unaudited)

	<b>01.07.2013 to 31.12.2013</b>	<b>01.07.2012 to 31.12.2012</b>
	<b>£</b>	<b>£</b>
<b>Cash flows from operating activities</b>		
Purchase of financial assets at fair value through profit or loss	(52,665,215)	(86,911,384)
Proceeds from sale of financial assets at fair value through profit or loss (including realised gains)	40,538,165	81,750,397
Other receivables	(6,576)	–
Transaction costs paid to brokers	(97,866)	(148,919)
Bank interest received	2,918	3
Fixed interest income received	422,616	626,693
Dividends received	2,112,175	2,082,526
Operating expenses paid	(1,898,893)	(1,663,058)
Foreign exchange gains	3,519,417	3,520,186
<b>Cash used in operating activities</b>	<u>(8,073,259)</u>	<u>(743,556)</u>
<b>Cash flows from financing activities</b>		
Dividends paid	(2,584,228)	(2,293,415)
Proceeds from issue of redeemable participating preference shares	8,605,725	4,263,350
Share issue costs	(86,057)	(42,485)
<b>Net cash generated from financing activities</b>	<u>5,935,440</u>	<u>1,927,450</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	(2,137,819)	1,183,894
Cash and cash equivalents at beginning of the period	<u>21,095,015</u>	<u>2,478,694</u>
<b>Cash and cash equivalents at end of the period</b>	<u>18,957,196</u>	<u>3,662,588</u>

The notes on pages 13 to 18 form an integral part of the interim condensed financial statements.

# **RUFFER INVESTMENT COMPANY LIMITED**

## **Notes to the Unaudited Interim Condensed Financial Statements**

### **1. Significant accounting policies**

The following accounting policies have been applied consistently in dealing with items which are considered to be material in relation to the Company's interim condensed financial statements.

#### **Basis of preparation**

The unaudited interim condensed financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") and in accordance with International Accounting Standard 34 "Interim Financial Reporting" and the Disclosure and Transparency Rules ("DTR's") of the UK's Financial Conduct Authority.

They have been prepared on a going concern basis and under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities held at fair value through profit or loss, and in accordance with the Principal Documents and applicable Guernsey Law.

This half-yearly financial report, covering the period from 1 July 2013 to 31 December 2013, is not audited.

In order to better reflect the activities of an investment company supplementary information which analyses the income statement between items of revenue and capital nature has been presented within the Condensed Statement of Comprehensive Income.

The same accounting policies and methods of computation have been applied to the interim condensed financial statements as in the annual financial report at 30 June 2013. The presentation of the interim condensed financial statements is consistent with the annual financial report.

The interim condensed financial statements do not include all the information and disclosures required in the annual financial report and should be read in conjunction with the annual financial report for the year ended 30 June 2013. The Audit Report on those accounts was not qualified.

The preparation of the interim condensed financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities at the date of the interim financial statements. If in the future such estimates and assumptions, which are based on management's best judgement at the date of the interim financial statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the period in which the circumstances change.

#### **Standards, amendments and interpretations that are not yet effective**

The following standards and interpretations, which have not been applied in these financial statements, were in issue at the reporting date but not yet effective:

IFRS 9 – Financial instruments: Classification and measurement (effective date – 1 January 2015)

IAS 32 Financial Instruments: Presentation – (effective date – 1 January 2014)

IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015.



# RUFFER INVESTMENT COMPANY LIMITED

## Notes to the Unaudited Interim Condensed Financial Statements (continued)

### 1. Significant accounting policies (continued)

#### Standards, amendments and interpretations that are not yet effective (continued)

Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32 – These amendments clarify the meaning of currently has a legally enforceable right to set-off. The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous.

The Board anticipate that the adoption of these standards and interpretations in a future period will not have a material impact on the financial statements of the Company, other than IFRS 9. The Company is currently evaluating the potential effect of this standard.

### 2. Dividends to shareholders

Dividends, if any, will be declared semi-annually usually in September and March each year. An interim dividend of 1.7p per share (£2,584,228) was approved on 25 September 2013 and paid on 25 October 2013, in respect of the period from 1 January 2013 until 30 June 2013. An interim dividend of 1.7p per share in respect of the half year ending 31 December 2013 was declared on 26 February 2014. The dividend is payable on 28 March 2014 to shareholders on record at 7 March 2014.

### 3. Share capital account

	<b>31.12.2013</b>	<b>30.06.13</b>
	£	£
<b>Authorised share capital</b>		
100 Management Shares of £1.00 each	100	100
200,000,000 Unclassified Shares of 0.01p each	20,000	20,000
75,000,000 C Shares of 0.1p each	75,000	75,000
	95,100	95,100

	Number of shares		Share capital	
	<b>31.12.2013</b>	<b>30.06.13</b>	<b>31.12.2013</b>	<b>30.06.13</b>
			£	£
<b>Issued share capital</b>				
<b>Management shares</b>				
Management Shares of £1.00 each	2	2	2	2
<b>Equity shares</b>				
Redeemable Participating Preference Shares of 0.01p each:				
Balance at start of period/year	149,188,416	<i>141,488,416</i>	114,304,639	97,982,885
Issued during the period/year	3,725,000	7,700,000	8,280,375	16,492,440
Share issues costs written off	–	–	(82,804)	(170,686)
Balance as at end of period/year	152,913,416	<i>149,188,416</i>	122,502,210	114,304,639

# RUFFER INVESTMENT COMPANY LIMITED

## Notes to the Unaudited Interim Condensed Financial Statements (continued)

### 3. Share capital account (continued)

#### *Blocklisting and additional shares issued*

At the start of the period, the Company had the ability to issue 15,441,522 redeemable participating shares under a blocklisting facility. During the period the Company made a further application to the Financial Services Authority and to the London Stock Exchange for 3,464,820 (30.06.13: 14,333,840) redeemable participating preference shares of 0.01pence each to be admitted to the Official List under a general corporate purposes blocklisting facility. Under the blocklisting facility, 3,725,000 new redeemable participating preference shares of 0.01 pence each were allotted and issued during the period. These new redeemable participating preference shares rank *pari passu* with the existing shares in issue.

As at 31 December 2013, the Company had the ability to issue a further 11,716,522 redeemable participating preference shares under the blocklisting facility.

#### *Redeemable participating preference shares in issue*

As at 31 December 2013 the Company had 152,913,416 redeemable participating preference shares of 0.01 pence each and 2 Management shares of £1.00 each in issue. Therefore, the total voting rights in the Company at 31 December 2013 were 152,913,418.

#### *Purchase of Own Shares by the Company*

An ordinary resolution was granted on 21 November 2013 which authorised the Company in accordance with The Companies (Guernsey) Law, 2008 to make purchases of its own shares as defined in that Ordinance of its Participating Shares of 0.01 pence each, provided that:

- (i) the maximum number of Shares the Company can purchase is no more than 14.99% of the Company's issued share capital;
- (ii) the minimum price (exclusive of expenses) which may be paid for a Share is 0.01 pence, being the nominal value per share;
- (iii) the maximum price (exclusive of expenses) which may be paid for the Share is an amount equal to the higher of (i) 105% of the average of the middle market quotations for a Share taken from the London Stock Exchange Daily Official List for the 5 business days immediately preceding the day on which the Share is purchased and (ii) the price stipulated in Article 5(i) of the Buy-back and Stabilisation Regulation (No 2237 of 2003);
- (iv) purchases may only be made pursuant to this authority if the Shares are (at the date of the proposed purchase) trading on the London Stock Exchange at a discount to the lower of the undiluted or diluted Net Asset Value;
- (v) the authority conferred shall expire at the conclusion of the Annual General Meeting ("AGM") of the Company in 2014 or, if earlier, on the expiry of 15 months from the passing of this resolution, unless such authority is renewed prior to such time; and
- (vi) the Company may make a contract to purchase Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Shares pursuant to any such contract.

# RUFFER INVESTMENT COMPANY LIMITED

## Notes to the Unaudited Interim Condensed Financial Statements (continued)

### 4. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

The Directors are responsible for the determination of the investment policy of the Company and have overall responsibility for the Company's activities.

#### *Investment Management Agreement*

The Company is managed by Ruffer LLP, a privately owned business incorporated in England and Wales as a limited liability partnership. The Company and the Investment Manager have entered into an Investment Management Agreement under which the Investment Manager has been given responsibility for the day-to-day discretionary management of the Company's assets (including uninvested cash) in accordance with the Company's investment objective and policy, subject to the overall supervision of the Directors and in accordance with the investment restrictions in the Investment Management Agreement and the Company's Articles of Association. The Investment Management Agreement will continue in force until determined by the Investment Manager or the Company giving to the other party thereto not less than 12 months notice.

The Investment Manager receives an annual fee, payable monthly in arrears, at the rate of 1 per cent. per annum of the Net Asset Value ("NAV") of the Company on a mid-market basis.

The market value of CF Ruffer Japanese Fund, CF Ruffer Baker Steel Gold Fund and Ruffer Illiquid Strategies Fund of Funds 2009 Limited are deducted from the NAV of the Company before the calculation of management fees on a monthly basis. For additional information refer to the Portfolio Statement on pages 19 to 22.

During the period ended 31 December 2013, management fees of £1,567,297 (31.12.12: £1,301,347) were charged to the Company, of which £1,567,297 (31.12.12: £1,301,347) was charged to the capital reserves of the Company. The amount of £268,997 (30.06.13: £227,050) remained payable at the period/year end.

#### *Shares held in the Managing Member of the Investment Manager*

As at 31 December 2013, an immediate family member of the Chairman Ashe Windham owned 100 (30.06.13: 100) shares in the Managing Member of the Investment Manager. This amounts to less than 5% (30.06.13: less than 5%) of the company's issued share capital.

#### *Directors*

The Company has six non-executive directors, all of whom except Wayne Bulpitt and Peter Luthy are independent of the Investment Manager.

Under the Corporate Governance Code Wayne Bulpitt and Peter Luthy are not considered to be independent by reason of being directors of Ruffer Illiquid Strategies Fund of Funds 2009 Limited and Ruffer Illiquid Strategies Fund of Funds 2011 Limited, two Guernsey registered investment companies managed by the Company's Investment Manager.

# RUFFER INVESTMENT COMPANY LIMITED

## Notes to the Unaudited Interim Condensed Financial Statements (continued)

### 4. Related party transactions (continued)

#### *Directors (continued)*

The Directors of the Company are remunerated for their services at such a rate as the Directors determine provided that the aggregate amount of such fees does not exceed £170,000 (30.06.13: £170,000) per annum.

Each Director was paid a fee of £25,000 (30.06.13: £25,000) per annum, except for the Chairman was who paid £35,000 (30.06.13: £35,000) per annum.

Total Directors' fees for the period, including the outstanding Directors' fees at the end of the period, are detailed below.

	<b>01.07.2013 to 31.12.2013</b>	<b>01.07.2012 to 31.12.2012</b>
	<b>£</b>	<b>£</b>
Directors' fees for the period	<u>80,000</u>	<u>80,000</u>
Payable at end of the period	<u>40,000</u>	<u>40,000</u>

#### *Shares held by related parties*

As at 31 December 2013, Directors of the Company held the following numbers of shares beneficially:

	<b>31.12.13</b>	<b>30.06.13</b>
	<b>Shares</b>	<b>Shares</b>
Ashe Windham*	75,000	70,000
Christopher Spencer	14,157	14,157
Jeannette Etherden	36,627	36,627
Peter Luthy**	120,000	120,000
Wayne Bulpitt	20,000	20,000

\* Ashe Windham holds 58,500 shares whilst his wife holds 16,500.

\*\* Peter Luthy holds these shares jointly with his wife.

As at 31 December 2013, Hamish Baillie, Investment Director of the Investment Manager owned 90,000 (30.06.13: 70,000) shares in the Company.

As at 31 December 2013, Steve Russell, Investment Director of the Investment Manager owned 6,450 (30.06.13: 6,450) shares in the Company.

As at 31 December 2013, the Investment Manager held 8,359,788 (30.06.2013: 8,499,292) shares on behalf of its discretionary clients in the Company.

#### *Investments in related funds*

As at 31 December 2013, the Company held investments in six (30.06.13: six) related investment funds valued at £25,399,043 (30.06.13: £37,868,186). Refer to the Portfolio Statement on pages 19 to 22 for details.

# **RUFFER INVESTMENT COMPANY LIMITED**

## **Notes to the Unaudited Interim Condensed Financial Statements (continued)**

### **5. Operating segment reporting**

The Board of Directors makes the strategic resource allocations on behalf of the Company. The Company has determined the operating segments based on the reports reviewed by the Board, which are used to make strategic decisions.

The Board is responsible for the Company's entire portfolio and considers the business to have a single operating segment. The Board's asset allocation decisions are based on a single, integrated investment strategy, and the Company's performance is evaluated on an overall basis.

There were no changes in the reportable segments during the period.

As required by IFRS 8, the total fair value of the financial instruments held by the Company by each major geographical segment, and the equivalent percentages of the total value of the Company, are reported in the Portfolio Statement.

Revenue earned is reported separately on the face of the Condensed Statement of Comprehensive Income as dividend income received from equities, and interest income received from fixed interest securities and bank deposits.

The Condensed Statement of Cash Flows separately reports cash flows from operating, investing and financing activities.

### **6. Principle risks and uncertainties**

In general terms these may be highlighted as including an unexpected and sharp appreciation of Sterling against the US Dollar and other currencies held in the portfolio. A sudden decline in inflation expectations or a prolonged period of outright deflation across developed economies could also have an adverse impact on the portfolio, as could a sudden rise in real interest rates in the UK or US. Other potential risks include a sharp fall in the price of gold and unexpected stock specific declines in the share prices of the portfolio's equity investments. Equities currently constitute 51.8% of the Company's Net Asset Value, with no single exposure greater than 2.95%. The above risks could specifically affect, among other things, the Company's 26.8% in US Dollar denominated assets, 30.2% in government index-linked bonds and 4.5% in gold and gold equities.

### **7. Subsequent events**

These financial statements were approved for issuance by the Board on 26 February 2014. Subsequent events have been evaluated until this date.

Subsequent to the year end and up to the date of this report, the Company allotted and issued 1,100,000 redeemable participating preference shares of 0.01 pence under the blocklisting facility for a consideration of £2,409,000.

As at the date of this report the Company had 154,013,416 redeemable participating preference shares of 0.01p each and 2 Management shares of £1.00 each in issue. Therefore, the total voting rights in the Company at the date of this report were 154,013,418.

# RUFFER INVESTMENT COMPANY LIMITED

## Portfolio Statement (Unaudited)

	Currency	Holding at 31.12.13	Fair Value £	% of Total Net Assets*
<b>Government Index-Linked Bonds 30.23%</b>				
<i>(30.06.13 – 28.22%)</i>				
<b>United Kingdom</b>				
UK Index-Linked Gilt 1.25% 22/11/2017	GBP	15,604,400	22,421,416	6.92
UK Index-Linked Gilt 1.875% 22/11/2022	GBP	3,000,000	4,383,477	1.35
UK Index-Linked Gilt 1.25% 22/11/2055	GBP	8,430,000	16,570,961	5.12
UK Index-Linked Gilt 0.375% 22/03/2062	GBP	8,000,000	9,940,816	3.07
			53,316,670	16.46
<b>United States</b>				
US Treasury Inflation Indexed 0.125% Bond 15/04/2016	USD	5,000,000	3,280,016	1.01
US Treasury Inflation Indexed 1.625% Bond 15/01/2018	USD	16,300,000	11,924,555	3.68
US Treasury Inflation Indexed 0.625% Bond 15/07/2021	USD	19,350,000	11,841,908	3.66
US Treasury Inflation Indexed 0.125% Bond 15/01/2022	USD	16,000,000	9,581,172	2.96
US Treasury Inflation Indexed 2.125% Bond 15/02/2041	USD	11,000,000	7,958,980	2.46
			44,586,631	13.77
<b>Total Government Indexed-Linked Bonds</b>			<b>97,903,301</b>	<b>30.23</b>
<b>Preference Shares 1.66%</b>				
<i>(30.06.13 – 1.41%)</i>				
<b>Germany</b>				
Volkswagen AG	EUR	18,620	3,166,417	0.98
			3,166,417	0.98
<b>United Kingdom</b>				
Raven Russia Ltd	GBP	1,411,924	2,202,601	0.68
<b>Total Preference Shares</b>			<b>5,369,018</b>	<b>1.66</b>
<b>Equities 51.54%</b>				
<i>(30.06.13 – 49.14%)</i>				
<b>Europe</b>				
<b>Germany</b>				
Deutsche Wohnen	EUR	126,217	1,426,019	0.44
Fresenius Medical Care	EUR	95,000	4,082,268	1.26
Heliocentris Energy Solutions AG	EUR	400,000	1,943,482	0.60
TAG Immobilien AG	EUR	315,180	2,301,507	0.71
			9,753,276	3.01

# RUFFER INVESTMENT COMPANY LIMITED

## Portfolio Statement (Unaudited) (continued)

	Currency	Holding at 31.12.13	Fair Value £	% of Total Net Assets*
<b>Europe (continued)</b>				
<b>Spain</b>				
Ebro Foods	EUR	328,282	4,636,224	1.43
			4,636,224	1.43
<b>United Kingdom</b>				
Antofagasta Plc	GBP	400,000	3,296,000	1.02
Better Capital Ltd	GBP	1,727,800	2,617,617	0.81
Better Capital PCC Ltd	GBP	3,088,700	3,374,405	1.04
BP Plc	GBP	1,400,000	6,832,700	2.11
BT Group Plc	GBP	979,500	3,712,305	1.15
Cairn Energy Plc	GBP	1,204,368	3,249,385	1.00
Cape Plc	GBP	850,000	2,365,125	0.73
Colt Group	GBP	645,225	828,469	0.26
Games Workshop Group Plc	GBP	250,000	1,726,250	0.53
Invensys Plc	GBP	480,000	2,433,600	0.75
ITV Plc	GBP	1,820,000	3,527,160	1.09
Oakley Capital Investments Ltd	GBP	2,825,794	5,270,106	1.63
Renn Universal Growth Trust Ltd	GBP	1,250,000	3,087,500	0.95
Royal Dutch Shell Plc 'B' Shares	GBP	170,000	3,875,150	1.20
Seaenergy Plc	GBP	300,000	96,000	0.03
Servicepower Technology Plc	GBP	4,437,500	244,063	0.08
Vodafone Group Plc	GBP	2,260,000	5,356,200	1.65
			51,892,035	16.03
<b>Total European Equities</b>			<b>66,281,535</b>	<b>20.47</b>
<b>Canada</b>				
Thomson Reuters	USD	117,928	2,692,853	0.83
<b>Total Canadian Equities</b>			<b>2,692,853</b>	<b>0.83</b>
<b>United States</b>				
Annaly Capital Management Inc	USD	776,980	4,677,127	1.43
Chimera Investment Corp	USD	1,150,000	2,159,396	0.67
Freeport-Mcmoran Copper & Gold	USD	223,145	5,084,675	1.57
International Business Machines Corp	USD	55,000	6,225,087	1.92
JPM Chase Com	USD	75,000	2,647,698	0.82
Lockheed Martin	USD	55,000	4,935,970	1.52
MRC Global Inc	USD	91,000	1,772,474	0.55
Qualcomm Inc	USD	106,611	4,778,104	1.48
Wal-Mart Stores Inc	USD	55,000	2,612,770	0.81
<b>Total United States Equities</b>			<b>34,893,301</b>	<b>10.77</b>

# RUFFER INVESTMENT COMPANY LIMITED

## Portfolio Statement (Unaudited) (continued)

	Currency	Holding at 31.12.13	Fair Value £	% of Total Net Assets*
<b>Asia</b>				
<b>China</b>				
Hopewell Highway Infrastructure	HKD	8,126,000	2,328,557	0.72
			2,328,557	0.72
<b>Japan</b>				
CF Ruffer Japanese Fund**	GBP	4,500,000	7,703,100	2.38
Daiei Inc	JPY	990,000	1,973,401	0.61
Japan Residential Investment Co Ltd	GBP	8,330,000	4,998,000	1.54
Kao Corp	JPY	255,000	4,841,304	1.49
Mitsubishi UFJ Financial Group	JPY	920,000	3,662,451	1.13
Nippon Building Fund REIT	JPY	700	2,448,872	0.76
NTT Data Corp	JPY	200,000	4,446,228	1.37
NTT Urban Development Corp	JPY	419,000	2,905,173	0.90
Resona Holdings Inc	JPY	1,080,000	3,325,365	1.03
Sumitomo Mitsui Financial Group Inc	JPY	130,000	4,040,093	1.25
T&D Holdings	JPY	1,134,000	9,556,391	2.95
Toshiba Plant System & Services Corp	JPY	420,000	3,775,847	1.17
Yamato Holdings Co Ltd	JPY	155,000	1,891,198	0.58
			55,567,423	17.16
<b>Singapore</b>				
M1 Ltd	SGD	3,300,000	5,160,242	1.59
			5,160,242	1.59
<b>Total Asian Equities</b>			<b>63,056,222</b>	<b>19.47</b>
<b>Total Equities</b>			<b>166,923,911</b>	<b>51.54</b>
<b>Investment Funds 3.68%</b> (30.06.13 – 3.84%)				
<b>United Kingdom</b>				
Herald Worldwide Fund	GBP	64,341	1,542,244	0.48
Ruffer Illiquid Strategies Fund of Funds 2009 Ltd**	GBP	3,749,713	5,332,662	1.64
Ruffer SICAV Global Smaller Companies Fund**	GBP	13,235	1,737,094	0.53
Ruffer SICAV UK Mid & Smaller Companies Fund**	GBP	13,235	2,001,926	0.62
Weiss Korea Opportunity Fund Ltd	GBP	1,100,000	1,320,000	0.41
			11,933,926	3.68
<b>Total Investment Funds</b>			<b>11,933,926</b>	<b>3.68</b>



# RUFFER INVESTMENT COMPANY LIMITED

## Portfolio Statement (Unaudited) (continued)

	Currency	Holding at 31.12.13	Fair Value £	% of Total Net Assets*
<b>Gold &amp; Gold Mining Equities 4.44%</b>				
<i>(30.06.13 – 6.50%)</i>				
<b>Australia</b>				
Newcrest Mining Ltd	AUD	213,946	901,418	0.28
			901,418	0.28
<b>United Kingdom</b>				
CF Ruffer Baker Steel Gold Fund**	GBP	2,830,683	2,322,009	0.72
Gold Bullion Securities	USD	121,519	8,465,426	2.61
			10,787,435	3.33
<b>Canada</b>				
Barrick Gold Corp	CAD	140,900	1,498,962	0.47
Goldcorp Inc	CAD	90,000	1,175,782	0.36
			2,674,744	0.83
<b>Total Gold &amp; Gold Mining Equities</b>			<b>14,363,597</b>	<b>4.44</b>
<b>Options 1.95%</b>				
<i>(30.06.13 – 4.48%)</i>				
<b>United Kingdom</b>				
Ruffer Protection Strategies International**	GBP	842,547	6,302,252	1.95
			<b>6,302,252</b>	<b>1.95</b>
<b>Total financial assets at fair value through profit or loss</b>			<b>302,796,005</b>	<b>93.50</b>
Other net current assets			21,058,197	6.50
Management share capital			(2)	–
<b>Total Value of Company</b> <b>(attributable to redeemable participating preference shares)</b>			<b>323,854,200</b>	<b>100.00</b>

\* All percentages relate to net assets attributable to holders of redeemable participating preference shares.

\*\* CF Ruffer Baker Steel Gold Fund, CF Ruffer Japanese Fund, Ruffer Illiquid Strategies Fund, Ruffer Protection Strategies International, Ruffer SICAV Global Smaller Companies and Ruffer SICAV UK Mid & Smaller Companies Fund are classed as related parties as they share the same Investment Manager as the Company.

# **RUFFER INVESTMENT COMPANY LIMITED**

## **General Information**

Ruffer Investment Company Limited was incorporated with limited liability in Guernsey as a company limited by shares and as an authorised closed-ended investment company on 1 June 2004. The objective of the Company is to achieve a positive total annual return, after all expenses, of at least twice the Bank of England base rate by investing predominantly in internationally listed or quoted equities or equity related securities (including convertibles) and bonds which are issued by corporate issuers, supranationals or government organisations.

The Company's redeemable participating shares are listed on the London Stock Exchange.

The accounting date of the Company is 30 June in each year. These interim financial statements were authorised for issue on 26 February 2014 by the Directors.

The prices of the shares in the Company are published in The Financial Times in the "Investment Companies" section, and in the Daily Telegraph's "Share Prices & Market Capitalisations" section under "Investment Trusts".

It is the intention of the Investment Manager to conduct the affairs of the Company so as to ensure that it will not become resident in the United Kingdom. Accordingly, and provided that the Company does not carry on a trade in the United Kingdom through a branch or agency situated therein, the Company will not be subject to United Kingdom Corporation Tax or Income Tax.

The Investment Manager receives an annual fee, payable monthly in arrears, at the rate of 1 per cent. per annum of the NAV of the Company on a mid market basis.

The Administrator is entitled to receive an annual fee equal to 0.15 per cent. per annum on the first £100 million and 0.10 per cent. per annum thereafter on the NAV of the Company on a mid market basis, subject to a minimum fee of £60,000 per annum.

The Custodian is entitled to receive from the Company a fee of £2,000 per annum. The Custodian is also entitled to charge for certain expenses incurred by it in connection with its duties.

# RUFFER INVESTMENT COMPANY LIMITED

## Management and Administration

### **Directors**

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Ashe Windham  
Wayne Bulpitt  
Jeannette Etherden  
Peter Luthy  
Christopher Spencer  
John V Baldwin

### **Registered Office**

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PO Box 255,  
Trafalgar Court,  
Les Banques,  
St. Peter Port,  
Guernsey,  
Channel Islands, GY1 3QL

### **Auditor**

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David Green  
Moore Stephens,  
Town Mills South,  
La Rue du Pre,  
St. Peter Port,  
Guernsey,  
Channel Islands, GY1 3HZ

### **Investment Manager**

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Ruffer LLP,  
80 Victoria Street,  
London, SW1E 5JL

### **Sponsor and Broker**

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Centkos Securities Plc,  
6.7.8 Tokenhouse Yard,  
London, EC2R 7AS

### **Solicitors to the Company as to UK law**

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Lawrence Graham LLP,  
4 More London Riverside,  
London, SE1 2AU

### **Company Secretary, Administrator and Registrar**

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Northern Trust International  
Fund Administration Services  
(Guernsey) Limited,  
Trafalgar Court,  
Les Banques,  
St. Peter Port,  
Guernsey,  
Channel Islands, GY1 3QL

### **CREST Agent**

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Computershare Investor  
Services (Jersey) Limited,  
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Hilgrove Street,  
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### **Advocates to the Company as to Guernsey law**

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1 Le Marchant Street,  
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### **Custodian**

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