



RUFFER INVESTMENT COMPANY LIMITED

An alternative to alternative asset management

MAY 2011

ISSUE 72

Share price as at 31 May 2011

202.25p

NAV as at 31 May 2011

Net Asset Value (per share)

194.24p

Premium/(discount) to NAV

As at 31 May 2011

4.1%

Launch price as at 8 Jul 2004

100.00p

RIC A Class since inception

Total Return (NAV)¹

119.4%

£ Statistics since inception

Standard deviation² 2.08%

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

31 Mar 2010 – 31 Mar 2011 8.7%

31 Mar 2009 – 31 Mar 2010 29.6%

31 Mar 2008 – 31 Mar 2009 9.4%

31 Mar 2007 – 31 Mar 2008 14.1%

31 Mar 2006 – 31 Mar 2007 -1.7%

Source: Ruffer LLP

Six monthly return history

Date	NAV (p)	TR NAV* (p)	% Total return
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

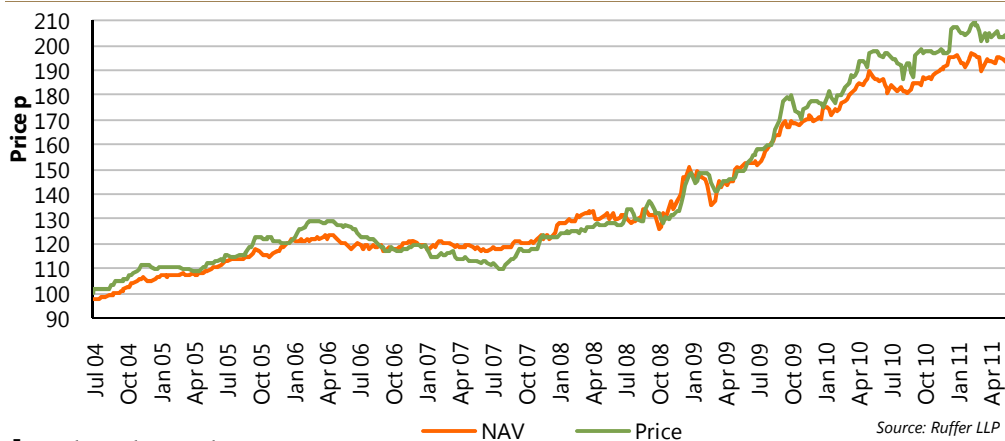
*includes re-invested dividends Source: Ruffer LLP

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 end of May was 194.2p, down 0.5% on the month; the premium was 4.1% with the closing share price at 202.25p. The portfolio has pretty much marked time for the first five months of the year, rising (on a total return basis) by just 0.3%.

Over the course of the month there were 250,000 shares issued at a price of 202.25p and, strictly, after the month end a further 100,000 shares at 201p. The total number of shares in the company after this second issue is 125,788,416 shares.

The main feature of our April issue was a reduction of our exposure to the dollar, for fear of a confluence of events which would have threatened both a fall in the US currency, together with a more widespread sell off in risk assets. We therefore felt that the danger to the portfolio was at the level of gross risk, rather than net risk – the purpose of the long dollar position being to offset weakness in equity markets, which we felt was compromised by the situation which arose in the middle of April. Since then, there has been an unequivocal signal from the Federal Reserve that they are going to resist an introduction of a third round of quantitative easing – this factor alone is transformative of the position of the dollar in the short/medium term. Notwithstanding this, the equity markets have taken the news of a distinct slowdown in the American economy with complacency, believing that this simply

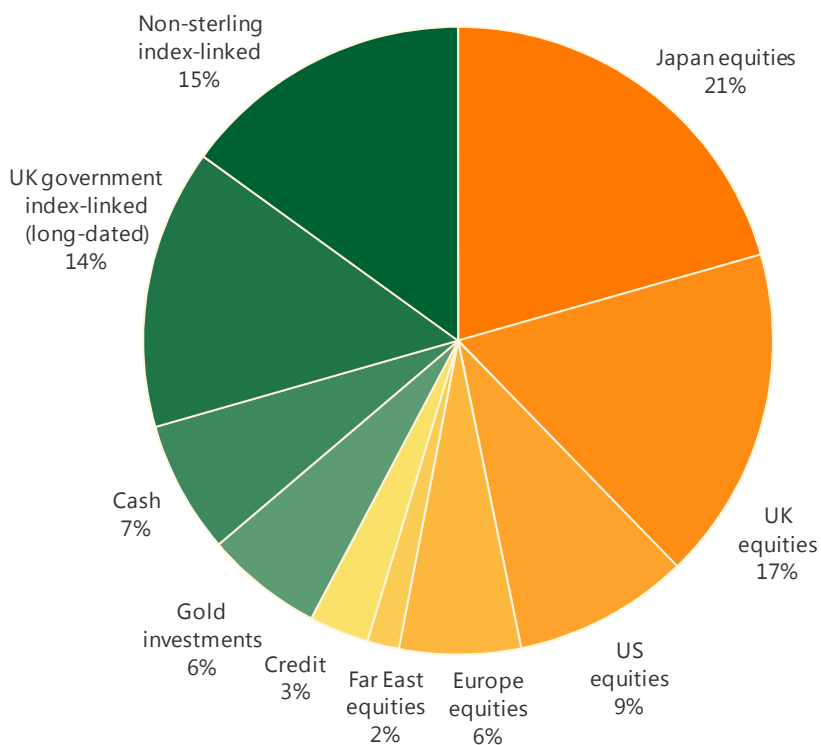
increases the likelihood of QE3. We no longer believe this.

Our position today is the same as it was two months ago and we are now 24.5% long of the dollar again. Has this in/out shaken us all about? The answer is a loss to the tune of about tuppence three-farthings. We are not day-traders, but we do subscribe to the Keynes' view that when circumstances change (and here they have changed twice), then we feel justified in changing our minds – twice.

Looking at performance attribution in May, we are faced with a Dulux moment. Paint drying would be more fun than the modest gains made in index-linked and North America, and the headwinds impacting the European positions and gold shares. Even on the basis of a by-election recount, South East Asia, Japan and the UK provided nothing positive or negative.

Overall, our view of the first five months of the year is one of relief. We were hit by Japan, we have lost money in gold equities, and we have found it hard to get the currency calls right this year. But stock selection has helped, we've made a lot of money from our short-dated index-linked (6%!) and this has kept us at level-pegging. This is not what we are here to do, but when a batsman experiences – and survives – a few maiden overs, it sometimes presages a decent score. On the other hand, this is written by someone who has twice been in a team all out for nought.

Portfolio structure as at 31 May 2011



Source: Ruffer LLP

Ten largest holdings as at 31 May 2011

Stock	% of fund
1.25% Treasury index-linked 2017	6.3
US Treasury 2.125% TIPS 2040	5.5
1.25% Treasury index-linked 2055	5.4
US Treasury 1.625% TIPS 2015	4.8
US Treasury 1.625% TIPS 2018	4.7
CF Ruffer Baker Steel Gold Fund	3.6
T&D Holdings	3.4
CF Ruffer Japanese Fund	3.2
Ruffer Illiquid Strategies Fund 2009 Ltd	3.1
Koninklijke KPN	3.0

Five largest equity holdings* as at 31 May 2011

Stock	% of fund
T&D Holdings	3.4
Koninklijke KPN	3.0
Vodafone	2.8
BT	2.7
Nippon Telegraph & Telephone	2.7

*Excludes holdings in pooled funds

Source: Ruffer LLP

NAV valuation point

Weekly – Friday midnight
Last business day of the month

NAV

£244.1m (31 May 2011)

Shares in issue

125,688,416 (31 May 2011)

Market capitalisation

£254.2m (31 May 2011)

No. of holdings

48 equities, 6 bonds (31 May 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 31 May 2011, funds managed by the group exceeded £11.7bn, of which over £4.9bn was managed in open-ended Ruffer funds.