RUFFER INVESTMENT COMPANY LIMITED

An alternative to alternative asset management

OCTOBER 2009
ISSUE 54

Share price as at 30 Oct 2009
172.50p

NAV as at 30 Oct 2009
Net Asset Value (per share)
167.63p

Premium/(discount) to NAV
As at 30 Oct 2009
2.9%

Launch price as at 8 Jul 2004
100.00p

RIC A Class since inception
Total Return (NAV)[1]
83.9%

£ Statistics since inception

Standard deviation[2]	2.19%
Sharpe ratio[3]	0.98
Maximum drawdown[4]	-7.36%

[1]Including 10.0p of dividends
[2]Monthly data (Total Return NAV)
[3]Monthly data annualised (Total Return NAV)
[4]Monthly data (Total Return NAV)

Source: Ruffer LLP

Percentage growth

In Total Return NAV	
30 Sep 08 – 30 Sep 09	30.3%
30 Sep 07 – 30 Sep 08	10.5%
30 Sep 06 – 30 Sep 07	3.5%
30 Sep 05 – 30 Sep 06	2.0%
30 Sep 04 – 30 Sep 05	17.1%

Source: Ruffer LLP

Six monthly return history

Date	NAV	% Total return
30 Jun 09	152.59p	2.2%
31 Dec 08	150.9p	16.0%
30 Jun 08	131.3p	6.7%
31 Dec 07	124.2p	7.5%
30 Jun 07	116.7p	-1.4%
31 Dec 06	119.6p	0.6%
30 Jun 06	119.4p	-0.5%
30 Dec 05	120.5p	7.9%
30 Jun 05	112.2p	5.6%
31 Dec 04	106.7p	8.9%

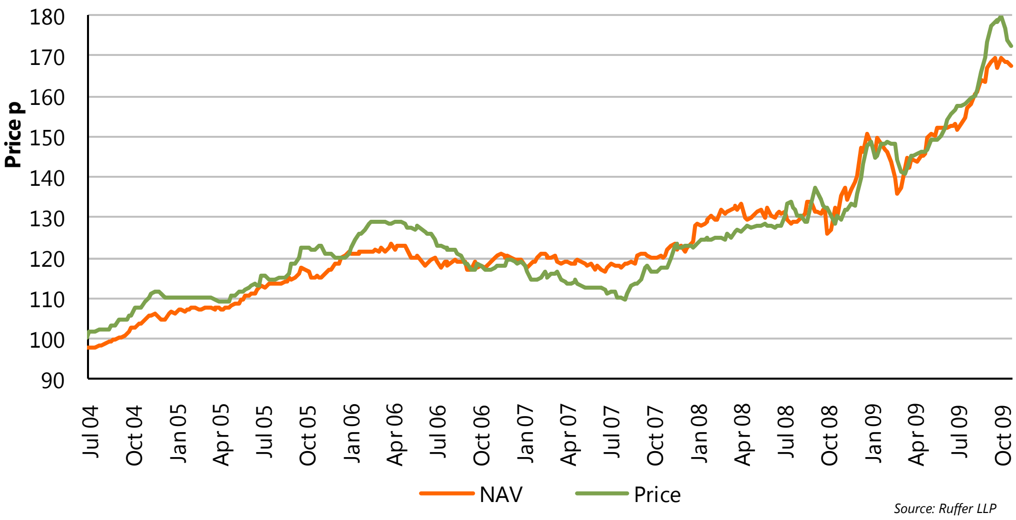
Source: Ruffer LLP

Dividends ex date: 0.5p 30 Mar 05, 30 Sept 05, 22 Mar 06 and 27 Sept 06, 1.25p 21 Mar 07, 26 Sept 07, 5 Mar 08 and 1 Oct 08, 1.5p 4 Mar 09 and 30 Sept 09

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 base 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 the Fund currently stands at 167.6p, a decline of 0.5% during the month. The share price fell 3.6% in October, reducing the premium over NAV to 2.9%.

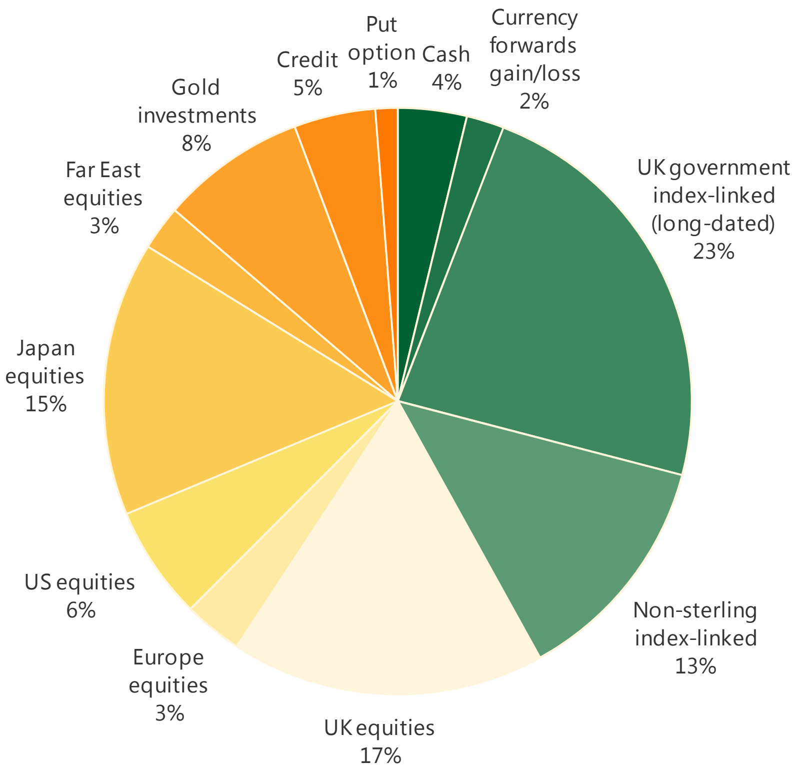
October saw the first clouds of doubt start to appear in financial markets after successive months of positive surprises in both the broad economic numbers and individual company earnings, albeit from very depressed levels, had produced an almost straight-line rise in equities of over 20%. Small interest rate rises in Australia and Norway, whilst not normally headline news, forced investors to ponder, at least momentarily, what life might be like once governments stop pumping vast amounts of liquidity into the markets, or even, *quelle horreur*, start to claw back some of the stimulus.

Once investors start to look forward again, rather than glancing backwards in relief at a narrowly avoided car crash, they will naturally start to wonder what adventures lie ahead. On the positive side, it appears reasonably likely that barring unexpected policy changes the current positive momentum in economic data can be sustained, at least into early next year, and this should lend some further support to the equity bulls. On the other hand, the stimulus clearly cannot be maintained for ever. If policy is tightened too early, then the risk is of a double dip recession, if too late then inflation beckons, and the decision is hardly made easier by the fact that no one knows what the time is now, given that all the clocks have stopped at just before midnight. In view of this, the chances of getting it wrong seem rather high, so perhaps the most pertinent question is how it will go wrong, rather than whether or even when.

In answering how it might go wrong, one only has to look at the responses of the authorities so far to this crisis. Probably quite correctly, they have shown themselves willing to do almost anything to avoid a deflation, including perhaps the greatest ever transfer of risk (read loss) from the private to the public sector. Accordingly it seems likely that they will strongly favour an inflationary mistake over a deflationary error. Therefore, should their very best guess of the right time to withdraw stimulus prove to be too early, the taps can, and by the look of it, will, be turned straight back on again. So any deflationary mistake can be almost immediately replaced with an inflationary error.

With this in mind, the portfolio continues to hold some 36% of its assets in index-linked bonds with a further 8% in gold. In the equity portion of the portfolio we have realised some of the gains made in the more cyclical companies and reinvested the proceeds into further increasing positions in quality mega caps such as BP and Vodafone. These investments are typical of our thought that, in a world of artificially low interest rates, very large and strong companies with attractive dividend yields could be assigned premium ratings, driven by a need for safety and income that has normally been satisfied by holding cash.

Portfolio structure as at 30 Oct 2009



Source: Ruffer LLP

Ten largest holdings as at 30 Oct 2009

Stock	% of fund
1.25% Treasury index-linked 2017	9.0
US Treasury 2.375% TIPS 2025	6.0
1.25% Treasury index-linked 2055	5.9
Japan (Govt Of) 1.3% index-linked 2017	5.2
Ruffer Illiquid Strategies Fund	4.5
Sweden 3.5% index-linked 2028	3.8
Ruffer Baker Steel Gold Fund	3.3
1.875% Treasury index-linked 2022	3.1
BT Group	3.1
Vodafone Group	2.8

Five largest equity holdings* as at 30 Oct 2009

Stock	% of fund
BT Group	3.1
Vodafone Group	2.8
BP	2.7
Kraft Foods	2.6
Ericsson	2.2

**Excludes holdings in pooled funds* *Source: Ruffer LLP*

NAV valuation point	Weekly – Friday midnight Last business day of the month
NAV	£150.25m (30 Oct 2009)
Shares in issue	89,629,703
Market capitalisation	£154.61m (30 Oct 2009)
No. of holdings	47 equities, 8 bonds (30 Oct 2009)
Share price	Published in the Financial Times
Market makers	Winterflood Securities ABN AMRO Cenkos Securities Cazenove Numis Securities

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 funds exceeding £5.1bn on an absolute return basis, including over £1.8bn in open-ended Ruffer funds (as at 30 October 2009).

Fund 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
Pay dates	April, November
Stock ticker	RICA LN
ISIN Number	GB00B018CS46
Sedol Number	B018CS4
Charges	Annual management charge 1.0% with no performance fee

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