Ruffer Investment Company Limited

An alternative to alternative asset management

FEBRUARY 2010
ISSUE 58

Share price as at 26 Feb 2010

179.75p

NAV as at 26 Feb 2010
Net Asset Value (per share)

176.65p

Premium/(discount) to NAV
As at 26 Feb 2010

1.8%

Launch price as at 8 Jul 2004

100.00p

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

94.7%

£ Statistics since inception

Standard deviation[2]	2.16%
Sharpe ratio[3]	1.07
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	
31 Dec 08 – 31 Dec 09	15.1%
31 Dec 07 – 31 Dec 08	23.8%
31 Dec 06 – 31 Dec 07	6.0%
31 Dec 05 – 31 Dec 06	0.1%
31 Dec 04 – 31 Dec 05	14.0%

Source: Ruffer LLP

Six monthly return history

Date	NAV	% Total return
31 Dec 09	170.3p	12.6%
30 Jun 09	152.6p	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%

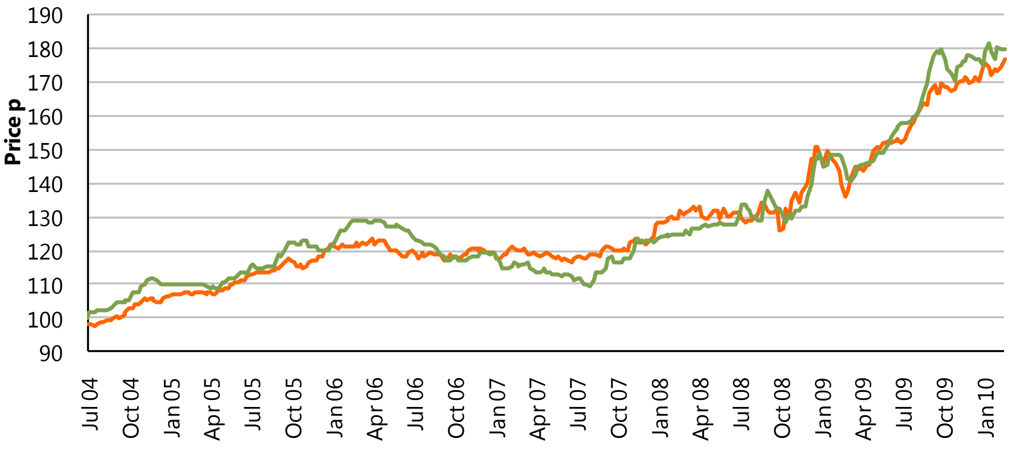
Source: Ruffer LLP

Dividends ex date: 0.5p 30 Mar 05, 31 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 and 31 Sep 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 Company currently stands at 176.65p, a rise of 2.7% during the month. The share price rose 0.4% in February and the premium over NAV was 1.8%.

The premium over the net asset value was somewhat lower than usual, but this seems to have been no more than a lag in the share price to the rise at the end of the month in the net asset value itself.

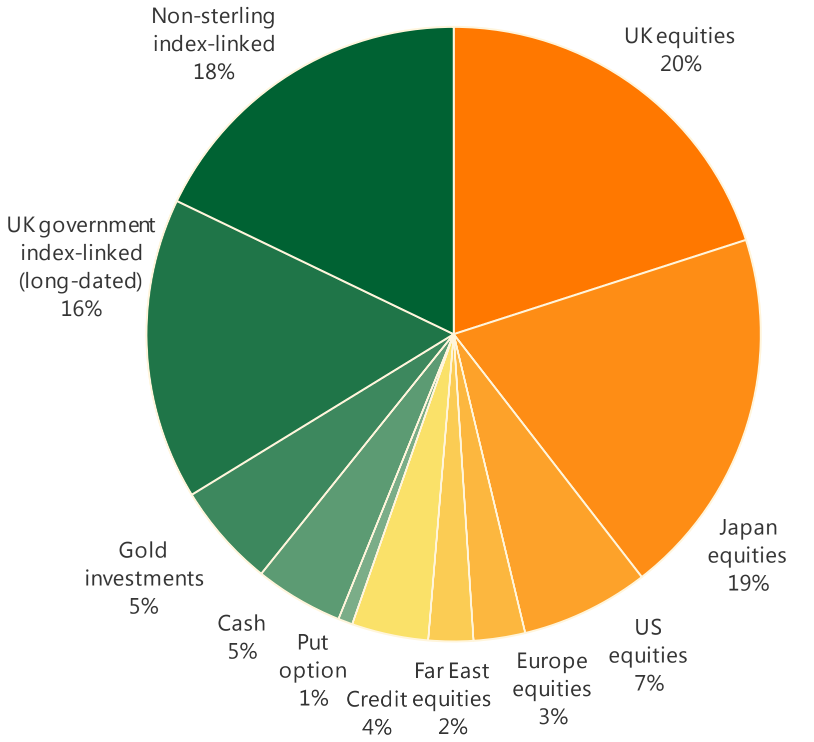
It was a quiet month for deals. We added to the positions in Lihir and BP, the latter to take advantage of the stock which was sold at a higher level earlier in the year, and to capture the dividend due at the end of the month.

Income is proving rather hard to find in the mature heather of our investment policy. The stock has paid 1.5p as a half-yearly dividend – unchanged for a while – and despite the pathetic yield that this represents on the underlying fund, it is partially coming from revenue reserves. The situation looks as though it will get somewhat worse before it gets better. We are shortly due to receive our cash from the winding up of Prodesse Holdings, which has been a stonking investment, up by 50%, and with a 15% running yield since inception. As far as the yield is concerned, it will not be replaceable. We are taking a view that there is really no point in a fund run for total return to massage upwards the running yield. We are conscious that when conventional government bonds were the order of the day, yield was available from that source; their replacement with index-linked bonds effectively ensures this is no longer possible. On the other hand, a decision to invest in high yielding equities has to some extent balanced this off, with big positions in BP, Vodafone and Kraft. Those who look for yield should therefore either be patient, or, more realistically, put the money to work elsewhere. The considerable exposure to dollar-denominated and yen-denominated assets has been the driver of the portfolios this month. The dollar, particularly, has been good to us, and we have more than a quarter of the value of the portfolio represented in this area. The Japanese holdings were partially hedged, which meant that we did not have the full benefit of the rise in the currency, but an overall exposure of 13% to the yen has played its part in the positive return over the quarter.

The only significant fall was the holding of the UK government index-linked 2055 which once again exhibited its characteristic volatility, this time on the downside. Nevertheless, this holding represents the centre of our protection against the outcome which we see eventually unfolding throughout the western world: a high inflation rate, coupled with low returns on riskless money. The full force of this mischief will be hard to guard against, and our belief is that biggish holdings of index-linked stock generally, and a specific exposure to this extreme maturity-date could prove nonplussingly effective if this became a consensual view.

Over the course of the month, further shares were issued in the company and the number of shares now outstanding is 94,479,703, up 2.1 million. The facility to issue new shares has resulted in roughly a further five million shares being issued. The overall market capitalisation of the Company is now around £170 million.

Portfolio structure as at 26 Feb 2010



Source: Ruffer LLP

Ten largest holdings as at 26 Feb 2010

Stock	% of fund
1.25% Treasury index-linked 2017	8.1
US Treasury 2.375% TIPS 2025	5.8
US Treasury 1.625% TIPS 2015	5.1
1.25% Treasury index-linked 2055	4.9
US Treasury 1.625% TIPS 2018	4.2
Ruffer Illiquid Strategies Fund 2009 Ltd	4.0
Ruffer Baker Steel Gold Fund	3.3
Ruffer Japan Fund	2.9
1.875% Treasury index-linked 2022	2.8
BP	2.8

Five largest equity holdings* as at 26 Feb 2010

Stock	% of fund
BP	2.8
Vodafone	2.7
Kroger	2.5
BT	2.5
Itochu	2.3

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

NAV valuation point	Weekly – Friday midnight Last business day of the month
NAV	£166.90m (26 Feb 2010)
Shares in issue	94,479,703
Market capitalisation	£169.83m (26 Feb 2010)
No. of holdings	46 equities, 8 bonds (26 Feb 2010)
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 £6.4bn on an absolute return basis, including over £2.2bn in open-ended Ruffer funds (as at 28 February 2010).

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

Enquiries

Alexander Bruce
Tel 020 7963 8104
Fax 020 7963 8175
abruce@ruffer.co.uk
www.ruffer.co.uk

Ruffer LLP
80 Victoria Street
London SW1E 5JL