RUFFER INVESTMENT COMPANY LIMITED

An alternative to alternative asset management

APRIL 2011
ISSUE 71

Share price as at 28 Apr 2011
205.5p

NAV as at 28 Apr 2011
Net Asset Value (per share)
195.2p

Premium/(discount) to NAV
As at 28 Apr 2011
5.3%

Launch price as at 8 Jul 2004
100.00p

RIC A Class since inception
Total Return (NAV)[1]
120.4%

£ Statistics since inception

Standard deviation[2]	2.08%
Maximum drawdown[3]	-7.36%

[1]Including 14.5p of dividends
[2]Monthly data (Total Return NAV)
[3]Monthly 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

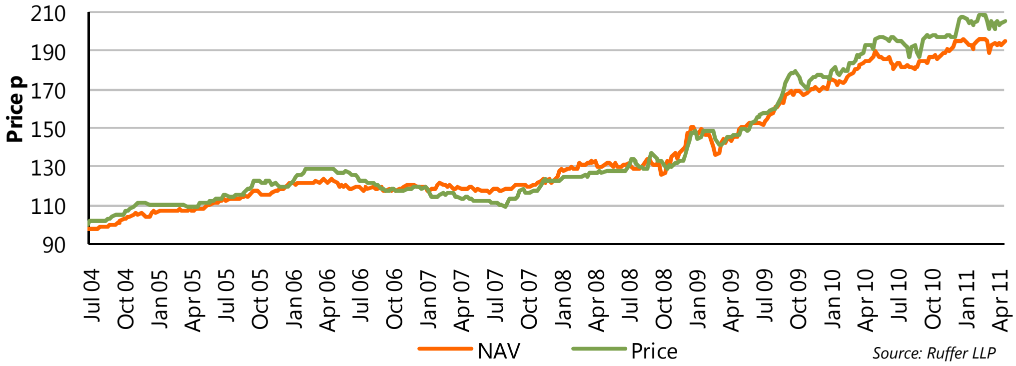
**includes re-invested dividends* *Source: Ruffer LLP*

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 at 28 April 2011 was 195.2p. This was a rise of 0.6% on the month. The share price of 205.5p represents a premium of just over 5%, up from 4% the month before.

I am aware that these monthly reports, although jejune, are read with something of an intensity which their content scarcely can bear, but this time there is quite an interesting story to tell. Perhaps inevitably, attention is most focussed on our thoughts about the outlook: will Japan come right? Will inflation take off, will interest rates stay low? – and certainly these are crucial building blocks in the performance of the portfolio. Nevertheless, the smooth pattern of our performance over a very long period of time owes more to the ability effectively to put offsets into the portfolio which allow the 'treasures' to come right when the big picture unfolds – often at a non-plussingly long date in the future, by surrounding the treasures with more temporary investments which are designed to 'nickel and dime' a return while we wait for the treasures to perform. This has the blessing (provided we are successful in the nickel and dimes) in taking away the crucial need to get the timing right: the whole point of having the treasure is that you keep it without worrying too much about whether it will show its true qualities under the cosh of the three month timescale which all we investors regard as distinguishing a good trade from a bad one.

The trade which highlights our current thinking on the shape of the portfolio was the removal of 7.5% of our dollar exposure to reduce the net dollar position from 24.5% to 17.0%. We did this believing that the dollar will sometime prove to be a powerful currency, and that we well might have seemingly lost our nerve at its lowest trade-weighted price. So why did we do it?

All investment portfolios are subject to the compromise between risk and reward. Generally speaking managers are prepared to take a bit of risk to get a decent return – we approach it from the other end of the telescope, and try to put as much risk into portfolios as we dare, and then we try to control as absolutely as we can the downside of this risk; the upside is a residual, and this we are always happy to compromise if we think that we can protect the downside. That is exactly where we find ourselves today.

We have three major themes in the portfolio. The first is that the medium to long-term solution for debt resolution will be in the form of high inflation combined with low interest rates. Our treasure will do enormously well in this event, but in the meantime, has to cope with a world which could treat these investments less than favourably. Our big position in Japan, when we put it in at the end of last year, looked to be the other way round. The Bank of Japan activity argued for a really decent stock market rally in the short term, but the complacency that this might cause could well have resulted in the very necessary structural changes in the Japanese economy remaining untackled. The earthquake effectively reversed this dynamic: it makes it much more likely that the structural deficit will be dealt with since Japan will no longer be able to get away with the complacency of the deflationary *status quo*: but they may well try and go for this route, and find this out the hard way. This would be bad for the stock market in Japan, but the long term outlook is nevertheless better than before.

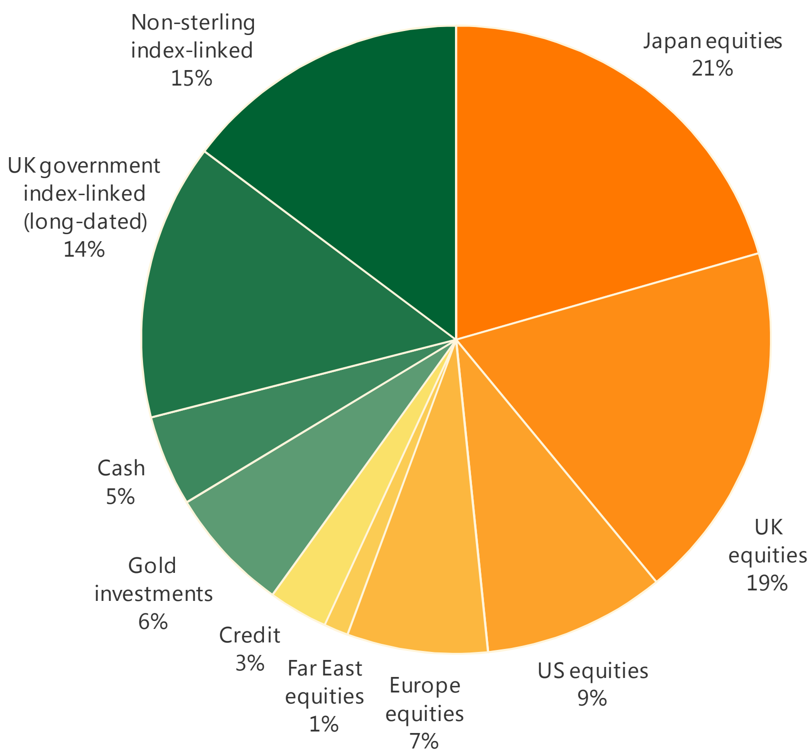
So, looking at the long term/short term as a double-numbered domino, on both these calls the near number is a low one, and the further number on the domino is a high one.

The trouble is that the dollar had become the third domino with a low number at the near end, and a high number at the far end. All other things being equal, if we had a better balance in our Japan and inflation plays, we would have been quite happy to run the dollar for its better characteristics some months away. But we would rather give up the possibility of taking full value from the call on the dollar in case all three of our dominoes failed to perform in the next few months.

What is it that worries us about the dollar? The answer is that this currency had done what we required throughout 2010, being a strong offset in the second quarter of 2010 when markets were very weak, and then losing us money in the third quarter, when the exuberance of the equity markets everywhere was sufficient to outweigh – and more than outweigh – the weakness in the currency. Our worry is that the Federal Reserve is signalling so clearly and, indeed, recklessly that it is uninterested in the level of the dollar that the combination of turbulence elsewhere and some weak economic data coming out of the domestic United States (which we don't think will last – underlying growth still being quite strong there) – might be enough to take the dollar sharply down in a climax, which we think would take the stock market with it.

So observers of this letter who are interested in what we say could well come to the conclusion that we are behaving differently to what we are actually doing. This conclusion shows a fine understanding of this investment review, but little understanding of our philosophy!

Portfolio structure as at 28 Apr 2011



Source: Ruffer LLP

Ten largest holdings as at 28 Apr 2011

Stock	% of fund
1.25% Treasury index-linked 2017	6.2
US Treasury 2.125% TIPS 2040	5.4
1.25% Treasury index-linked 2055	5.3
US Treasury 1.625% TIPS 2015	4.7
US Treasury 1.625% TIPS 2018	4.6
CF Ruffer Baker Steel Gold Fund	3.8
T&D Holdings	3.4
CF Ruffer Japanese Fund	3.2
Ruffer Illiquid Strategies Fund 2009 Ltd	3.1
Tesco	2.9

Five largest equity holdings* as at 28 Apr 2011

Stock	% of fund
T&D Holdings	3.4
Tesco	2.9
Vodafone	2.8
BT	2.7
INPEX Corporation	2.6

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

NAV valuation point	Weekly – Friday midnight Last business day of the month
NAV	£244.8m (28 Apr 2011)
Shares in issue	125,438,416
Market capitalisation	£257.8m (28 Apr 2011)
No. of holdings	49 equities, 6 bonds (28 Apr 2011)
Share price	Published in the Financial Times
Market makers	ABN AMRO Cazenove Cenkos Securities Collins Stewart Numis Securities Winterflood 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 investments on a discretionary basis for private clients, trusts, charities and pension funds. As at 30 April 2011, funds managed by the group exceeded £11.6bn, of which over £4.9bn was managed in open-ended Ruffer funds.

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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