

**MAY 2010**

ISSUE 61

**Share price as at 28 May 2010****197.50p****NAV as at 28 May 2010**

Net Asset Value (per share)

**186.46p****Premium/(discount) to NAV**

As at 28 May 2010

**5.9%****Launch price as at 8 Jul 2004****100.00p****RIC A Class since inception**Total Return (NAV)<sup>1</sup>**107.2%****£ Statistics since inception**

Standard deviation <sup>2</sup>	2.14%
Maximum drawdown <sup>3</sup>	-7.36%

<sup>1</sup>Including 11.5p of dividends<sup>2</sup>Monthly data (Total Return NAV)<sup>3</sup>Monthly data (Total Return NAV)

Source: Ruffer LLP

**Percentage growth****In Total Return NAV**

31 Mar 09 – 31 Mar 10	29.6%
31 Mar 08 – 31 Mar 09	9.4%
31 Mar 07 – 31 Mar 08	14.1%
31 Mar 06 – 31 Mar 07	-1.7%
31 Mar 05 – 31 Mar 06	15.2%

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, 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 and 3 Mar 10

# RUFFER INVESTMENT COMPANY LIMITED

*An alternative to alternative asset management***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****Investment report**

The net asset value of the Company currently stands at 186.46p, a rise of 0.6% during the month. The share price rose 2.6% in March and the premium over NAV was 5.9%.

This compared favourably with the fall in the equity markets, a representative of which was the FTSE All-Share total return, which dropped by 6.2% during the period. We view Ruffer Investment Company as a long only portfolio, but we have the power to take out put options in the fund, although these are rarely more than *de minimis*. At the end of April we had small positions (out of the money) on the Euro STOXX 50 market, and similar options on the FTSE and S&P, which in total amounted to 1.4% of the value of the fund. These came very right during the month, and we have sold the FTSE and European options, and left half the S&P position. These trades helped the portfolio by just over 2%, and the market value of the remaining option represents about 0.7% of the month-end value of the fund.

For the main portfolio, let us deal first with the successes – brace yourself for a short paragraph! The index-linked positions made a small amount of money in local currency terms – the longer the duration the better they did – and the best part of the portfolio was the TIPs, which were held in dollars, and made nearly 1% of the value of the fund. Gold was a modest beneficiary making a small positive contribution. In the equities things were not too bright. The North American securities showed smaller falls than the indices, with Kraft being the best performer; the strength of the Dollar meant that overall we lost almost no money in this category. In the UK the stand out bloomer was BP, about which I see that we had a good boast in our April letter. The overall effect of this fall (with BP still standing at 494p at the month end)

was a loss of 0.4% of the value of the fund which represented almost exactly half the total loss of the UK equity positions. The large position of Vodafone turned out to be reinforced at exactly the wrong moment. The equity positions in Japan let us down. The fact that we had covered the yen back into sterling meant that, instead of escaping with anything barely worse than a break-even, we lost about 1.5% of the value of the fund here. We remain confident that Japan will make us money; the political turmoil of recent days has done more harm to the yen (now irrelevant to us through the currency cover) than the equity market, and we continue to think that the reformists at the Bank of Japan will have their day, and there will be quantitative easing ahead.

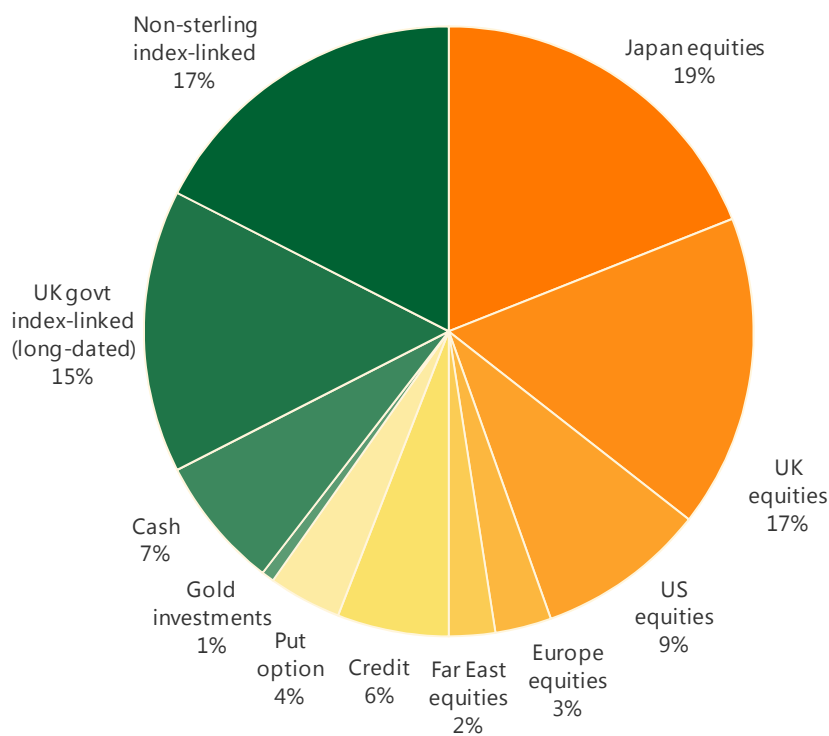
Once again, we feel remarkably lucky to have come through a very difficult month, comparatively unscathed. The options certainly helped, and the strong weighting in inflation-plays was a positive for us, despite the fact that the developments in the world have been comprehensively deflationary. We correctly identified that the US dollar would be a beneficiary of a setback in the markets, but we were wrong not to keep open our yen exposure for the same sort of balancing that we had there last year – bad markets meant a strong yen. We declared our hand too early by suffering a bear phase in Tokyo without any currency protection.

We wrote last month that we were concerned about dislocations in the Far East. The mood in China continues to worsen, but there has been no decisive break in the market there. Until that situation becomes clearer (which we think will mean clearly deteriorating), we are reluctant to play strongly the theme of economic recovery which we still believe in. Nevertheless, our eyes are once again westward, and we think that the dollar and assets situate in the United States will be a happier place to be than the Peking zither.

Past performance is not a guide to future performance. The value of the shares and the income from them can go down as well as up and you may not get back the full amount originally invested. The value of overseas investments will be influenced by the rate of exchange. Issued by Ruffer LLP, 80 Victoria Street, London SW1E 5JL.

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## Portfolio structure as at 28 May 2010



Source: Ruffer LLP

## Ten largest holdings as at 28 May 2010

Stock	% of fund
1.25% Treasury index-linked 2017	7.7
US Treasury 2.375% TIPS 2025	5.8
US Treasury 1.625% TIPS 2015	5.0
1.25% Treasury index-linked 2055	4.6
US Treasury 1.625% TIPS 2018	4.1
Ruffer Illiquid Strategies Fund 2009 Ltd	3.9
CF Ruffer Baker Steel Gold Fund	3.5
Vodafone Group	3.2
CF Ruffer Japan Fund	2.7
Kroger Co	2.7

## Five largest equity holdings\* as at 28 May 2010

Stock	% of fund
Vodafone Group	3.2
Kroger	2.7
T&D Holdings	2.6
BT	2.5
BP	2.2

\*Excludes holdings in pooled funds

Source: Ruffer LLP

### NAV valuation point

Weekly – Friday midnight  
Last business day of the month

### NAV

£182.81m (28 May 2010)

### Shares in issue

98,042,672

### Market capitalisation

£193.63m (28 May 2010)

### No. of holdings

47 equities, 7 bonds (28 May 2010)

### Share price

Published in the Financial Times

### Market makers

Winterflood Securities  
ABN AMRO  
Cenkos Securities  
Cazenove  
Numis 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

### 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

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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 funds exceeding £7.7bn on an absolute return basis, including over £2.9bn in open-ended Ruffer funds (as at 28 May 2010).