

**FEBRUARY 2011**

ISSUE 69

**Share price as at 28 Feb 2011****208.00p****NAV as at 28 Feb 2011**

Net Asset Value (per share)

**196.04p****Premium/(discount) to NAV**

As at 28 Feb 2011

**6.10%****Launch price as at 8 Jul 2004****100.00p****RIC A Class since inception**Total Return (NAV)<sup>1</sup>**119.7%****£ Statistics since inception**

Standard deviation <sup>2</sup>	2.10%
Maximum drawdown <sup>3</sup>	-7.36%

<sup>1</sup>Including 13p 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 Dec 09 – 31 Dec 10	16.5%
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%

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 and 1 Sept 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 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**

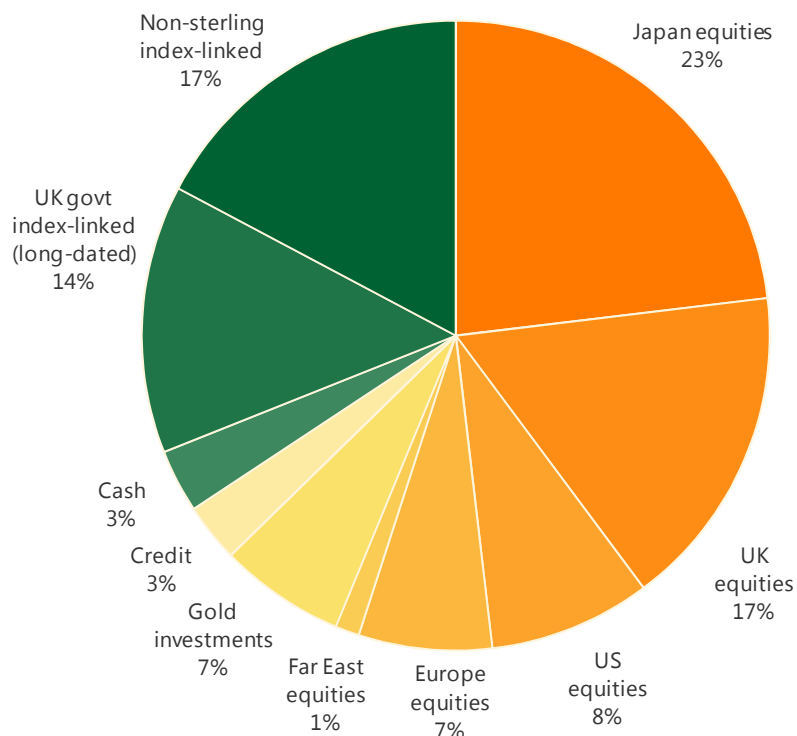
The net asset value of Ruffer Investment Company rose by 2.4% during February to 196.04p. This represented the highest month end valuation in the life of the company, and represents a total return of 120% since it started just under seven years ago.

The year has got off to the same sort of choppy conditions which marked 2010. January a bad month, February a good one, but put them together and there's precious little progress. We think this is set to continue, and it argues against excessive trading: these are conditions in which it is easy to be whiplashed, whereas a masterly policy of inactivity may lead to a characterisation of the investment landscape as boring, rather than treacherous.

So, did we deal? Well, erm, yes – quite a lot actually. The deals were largely tinkering. They were to extend the duration of our TIPs position (from 2025 to 2040) at what, in retrospect looks like the bottom of the market and somewhat to rearrange the shape of the Japanese portfolio by selling Nomura, rather well, and purchasing Nippon Telegraph & Telephone. This reinforces what was already a reasonably large holding for the fund and we now hold nearly 3% in this company. We also purchased Resona, a bank whose latest share offering some weeks ago is still causing indigestion in the market – nearly the whole of the market capitalisation of Resona has been turned over in the aftermath, and we see this as a trade for a re-evaluation. We did much the same with Mizuho in the second half of last year. We overpaid for a reinforcement of our holding in Wal-Mart, which has got off to a surprisingly poor start. We believe that the de-rating over the last decade or so has resulted in the stock trading considerably too cheaply, and the recent announcement of a 21% dividend increase highlights the relentless power of its cash generation.

One of the difficulties of writing a monthly report is that not enough happens in a month to make many useful observations, and the perverse effect of this is that many months can go by without any sense of the overview of what we are trying to do. Here is the answer to that question in a nutshell. We see the investment outlook in largely consensual terms. That is to say, quantitative easing will produce good economic growth, and we believe, along with everybody else, that this growth has been underestimated. Yogi Berra would be comfortable with this thought. We therefore have, by our standards, a pretty full weighting in equities, and we kid ourselves in thinking that if any one of the well-recognised dangers were to occur (China blowing up, Gadaffi not blowing up, Trichet unsteady at the lower level) that our particular mix of equities will do better than most. This is a concentration in high yielding mega-cap companies with good balance sheets (along with every other fund manager) and a large position in Japan (not at all consensual last year, but things are changing). The consensus is talking Japan up, but not yet buying investments there. We think that when they do they will concentrate on the exporters, of which we have none whatsoever – the Japanese story is a domestic one, not international. We think index-linked will be a powerful way of making money when our central view: high inflation coupled with low interest rates, becomes manifest. In this regard, we see the United Kingdom as a dry run: RPI at over 5%, with base rates at less than one-tenth of that. We perhaps share Mervyn King's view that inflation will fall by the summer in terms of the arithmetic: but we think that directionally he is the wrong side of this trade. Inflation may well drop back a bit if China hits the buffers and takes base metals and other commodity prices with it, but we think the authorities will be non-plussed at how entrenched inflation (and inflation mentality) already is.

## Portfolio structure as at 28 Feb 2011



Source: Ruffer LLP

## Ten largest holdings as at 28 Feb 2011

Stock	% of fund
1.25% Treasury index-linked 2017	6.0
US Treasury 2.125% TIPS 2040	5.3
1.25% Treasury index-linked 2055	5.1
US Treasury 1.625% TIPS 2015	4.7
US Treasury 1.625% TIPS 2018	4.6
T&D Holdings	4.1
CF Ruffer Baker Steel Gold Fund	3.8
CF Ruffer Japanese Fund	3.5
Ruffer Illiquid Strategies Fund 2009 Ltd	3.0
Vodafone Group	2.9

## Five largest equity holdings\* as at 28 Feb 2011

Stock	% of fund
T&D Holdings	4.1
Vodafone	2.9
Nippon Telegraph & Telephone	2.8
BT Group	2.5
INPEX Corporation	2.5

\*Excludes holdings in pooled funds

Source: Ruffer LLP

### NAV valuation point

Weekly – Friday midnight  
Last business day of the month

### NAV

£244.34m (28 Feb 2011)

### Shares in issue

124,638,416

### Market capitalisation

£259.25m (28 Feb 2011)

### No. of holdings

47 equities, 7 bonds (28 Feb 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

### 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 investments on a discretionary basis for private clients, trusts, charities and pension funds. As at 28 February 2011, funds managed by the group exceeded £11.1bn, of which over £4.7bn was managed in open-ended Ruffer funds.