

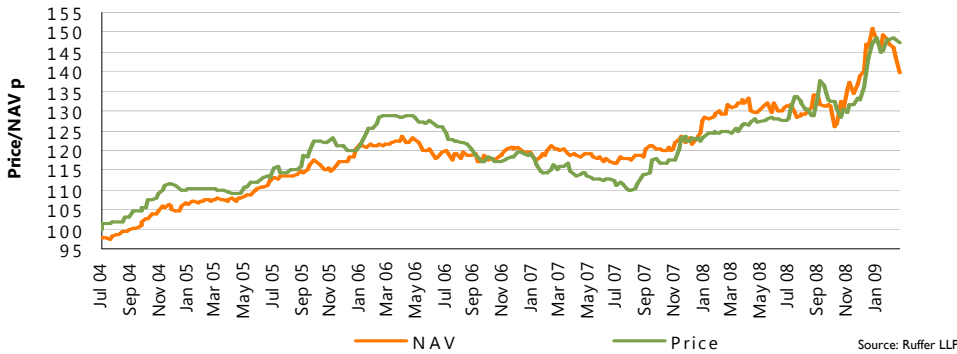


# RUFFER INVESTMENT COMPANY LIMITED

*An alternative to alternative asset management*

Share price	147.50p	27 Feb 2009
Net Asset Value (NAV)	139.80p	27 Feb 2009
Premium (Discount) to NAV	5.5%	27 Feb 2009
Launch price	100.00p	8 July 2004

## RIC performance



## Performance since inception RIC A Class

Total return (NAV)<sup>1</sup> +51.0%

## £ Statistics since inception

Standard deviation<sup>2</sup> 2.20%

Sharpe ratio<sup>3</sup> 0.72

Maximum drawdown<sup>4</sup> -5.7%

<sup>1</sup>Including 7.0p dividend

<sup>2</sup>Monthly data

<sup>3</sup>Monthly data annualised

<sup>4</sup>Monthly data including 7.0p dividend

Source: Ruffer LLP

## 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.

## Investment report

The net asset value of the portfolio at 27 February was 139.8p, down 5.7% on the month (total return). Rather a bad month, I am afraid, but actually I don't think investors should be too concerned. We have taken a view that the right way to invest for better market conditions is through financial assets in Japan. Nearly half the fall in the portfolio came about from the weakness in that sector. We are reinforcing this constituency with an investment in the rights issue of Nomura Holdings, and, in our internal notes, we have articulated the opportunity as a 'strong coiled spring for a well diversified portfolio'. Nomura is a blue-chip franchise with strong leadership, ably supported by a young generation of managers. It is typical of Japanese financials in having a high tier one ratio (10.2% estimate for March 2009). We believe that any recovery in the stock market is likely to trigger a disproportionately big rise in its share price – and this is representative of the others. We feel it is a situation where by appearing to embrace extreme risk, we have a compelling risk/reward which means that we have to commit comparatively little money to the rest of the equity market to take advantage of a rally.

The latest falls in the stock market feel like the second hour of rain on the wood pigeon sitting on the top of a telegraph pole. Investors have given up changing their position to try to combat the vagaries of stock market falls, and are now reconciled to a thorough soaking. The result is that even the 'high quality' equities have joined in the general retreat in the market. The portfolio has been pleasingly free of such investments, which is just as well, since they have performed appallingly since the beginning of the year. Our main exposure to them has been in America where Johnson & Johnson and Kraft Foods are held. In Japan, these sorts of holdings have largely been sold, although we have a half position in Kao (the majority of them having been sold rather well about six weeks ago) and Nippon Telegraph & Telephone.

It was a time when everything fell, and we protected ourselves as best we could. The Yen fell heavily – but our forex cover largely protected us from this mischief.

We have somewhat let our guard down in defending the portfolio against the onslaught of genuine deflation. This is partly because we don't believe it, and partly because the only sure way of putting in these protections is to hold long-dated government bonds – and the trouble is that one has to hold a great many of them to make the slightest difference to the performance of the fund. We have, however, taken a view that, once again, the Norwegian Krone is attractive, and we have bought a government bond of 2017. The holding is about 6.5% of the Fund, which is not enough to make an enormous difference to the performance if long bonds are indeed the place to be, but it does provide directional protection. Index-linked largely held their own in local currency and gold responded to its overbought condition, unchanged over the course of the month.

Although the New Year has got off to a bad start in terms of performance, it really does not feel that way. For a 'long-only' fund, even a massively defensive portfolio would have lost money, and we do not believe that such a stance is warranted. We are in the somewhat uncomfortable position of feeling that the short term direction of the markets from here is an evens bet. Likewise, the direction of Sterling. There is an old adage, 'never give a sucker an even break'; this is what we feel the markets are offering on these two crucial issues. Accordingly, we have taken risk off the table, except for Japan, and await an outcome from which we should benefit if we are astute enough to identify its implications soon enough.

## Percentage growth in Total Return NAV to 31 December 2008

31 Dec 07 – 31 Dec 08	31 Dec 06 – 31 Dec 07	31 Dec 05 – 31 Dec 06	31 Dec 04 – 31 Dec 05	31 Dec 03 – 31 Dec 04
+23.8%	+6.0%	+0.1%	+14.0%	n/a

Past performance is not a guide to the future. 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.

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## Ten largest holdings

27 Feb 2009

Stock	% of fund
UK Treasury index-linked 1.25% 2017	9.2
US TIPS 2.375% 2025	7.4
UK Treasury index-linked 2.5% 2013	7.3
Norway 4.25% 2017	6.6
Japan index-linked 1.3% 2017	6.0
Japan index-linked 1.4% 2018	5.4
UK Treasury 2.5% 2016	5.2
Annaly	4.7
Newmont Mining	3.4
Nippon Telegraph & Telephone	3.2

## Five largest equity holdings

27 Feb 2009

Stock	% of fund
Annaly	4.7
Newmont Mining	3.4
Nippon Telegraph & Telephone	3.2
Mitsubishi UFJ	3.1
Kraft Foods	2.7

## RUFFER INVESTMENT COMPANY

### Six monthly return history

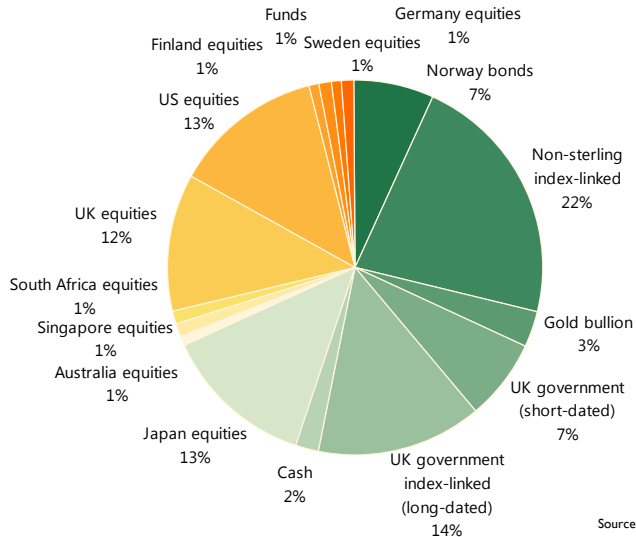
Date	31 Dec 04	30 Jun 05	30 Dec 05	30 Jun 06	31 Dec 06	30 Jun 07	31 Dec 07	30 Jun 08	31 Dec 08
<b>NAV</b>	106.7p	112.2p	120.5p	119.4p	119.6p	116.7p	124.2p	131.30p	150.90p
<b>% growth</b>	+8.9%	+5.6%	+7.9%	-0.5%	+0.6%	-1.4%	+7.5%	+6.7%	+16.0%

Ex dividend 0.5p 30 Mar 05, 7 Sept 05, 31 Mar 06, 27 Sept 06, 1.25p 30 Mar 07, 28 Sept 07, 31 Mar 08 and 01 Oct 08

Source: Ruffer LLP

### Geographical allocation

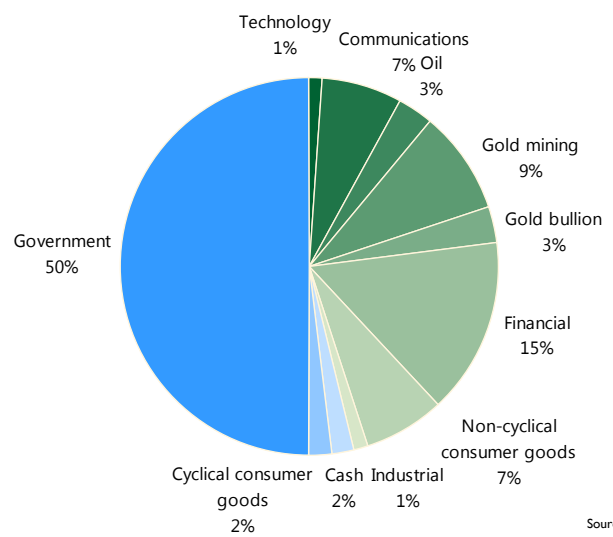
27 Feb 2009



Source: Ruffer LLP

### Asset allocation

27 Feb 2009



Source: Ruffer LLP

Notes (i) The Company may invest up to 10% in other listed collective vehicles although in certain circumstances the Company may invest up to 15% in other listed collective vehicles (see Prospectus for details).  
(ii) Currency risk actively managed within the Company.

### 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

GB00B018C546

### Sedol Number

B018C54

### Enquiries

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### Ruffer LLP

Ruffer LLP manages funds exceeding £3.6bn on an absolute return basis, including over £993.4m in open-ended Ruffer funds (as at 27 February 2009).

### Charges

Annual management charge 1.0%  
with no performance fee

### NAV valuation point

Weekly – Friday midnight  
Last business day of the month

### NAV

£124.6m (27 Feb 09)

### Shares in issue

89,129,703

### Market capitalisation

£131.5m (27 Feb 09)

### No. of holdings

44 equities, 9 bonds (27 Feb 09)

### 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 he moved to HSBC Investment Bank as Head of UK and European Equity Strategy, before joining Ruffer LLP in September 2003. He became a non-executive director of JP Morgan Fleming Continental Investment Trust in 2005.

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