Ruffer Investment Company Limited

An alternative to alternative asset management

AUGUST 2009
ISSUE 52

Share price as at 28 Aug 2009
166.00p

NAV as at 28 Aug 2009
Net Asset Value
163.85p

Premium/(discount) to NAV
As at 28 Aug 2009
1.3%

Launch price as at 8 Jul 2004
100.00p

RIC A Class since inception
Total Return (NAV)[1]
78.9%

£ Statistics since inception

Standard deviation[2]	2.2%
Sharpe ratio[3]	1.0
Maximum drawdown[4]	-5.7%

[1]Including 8.5p dividend
[2]Monthly data
[3]Monthly data annualised
[4]Monthly data including 8.5p dividend

Source: Ruffer LLP

Percentage growth

In Total Return NAV

30 Jun 08 – 30 Jun 09	18.6%
30 Jun 07 – 30 Jun 08	14.8%
30 Jun 06 – 30 Jun 07	-0.8%
30 Jun 05 – 30 Jun 06	7.3%
30 Jun 04 – 30 Jun 05	n/a

Source: Ruffer LLP

Six monthly return history

Date	NAV	% Total return
30 Jun 09	152.59p	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%

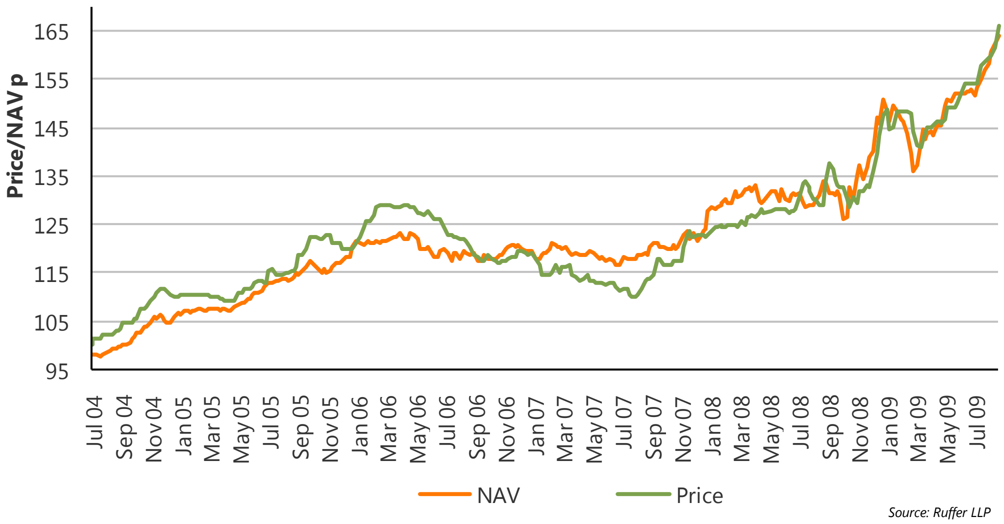
Source: Ruffer LLP

Dividends paid 0.5p 30 Mar 05, 7 Sept 05, 30 Jun 06, 27 Sept 06, 1.25p 30 Mar 07, 28 Sept 07, 30 Jun 08 and 1 Oct 08, 1.5p 27 Mar 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

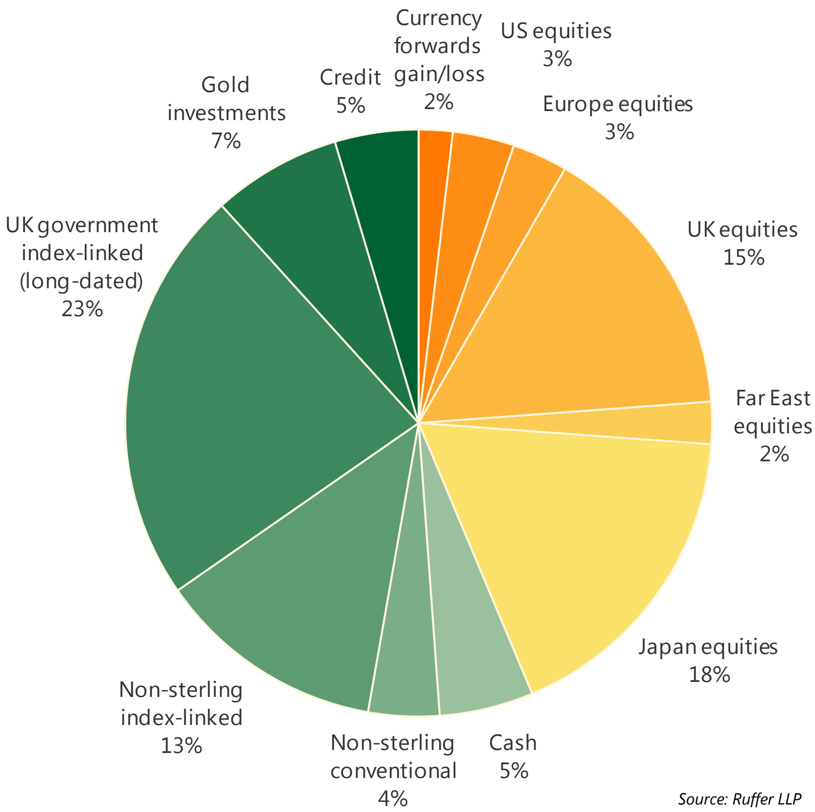
The net asset value of the Fund currently stands at 163.9p, a gain of 4.3% during the month. The share price rose broadly in line with the NAV in August and remains at a small premium.

August witnessed a continuation of the rally in risk assets, with equity prices appreciating worldwide. Alongside a rise in the FT All-Share Index a gain of 7.7%, the US market rose by over 5%, that of Japan around 6% and those of continental Europe by around 9% (all figures total returns in sterling). Hopes of economic recovery, fuelled by encouraging economic data, coupled with satisfactory corporate earnings and suggestions that global earnings estimates might have stopped falling for the first time since the crisis began, were the main reasons behind this further surge. In the UK gilt prices rose, as did index-linked, as the Bank of England committed a further £50bn to its 'quantitative easing' programme taking the total to £175bn; at the same time the latest Bank of England minutes were taken as support for the view that UK short-term interest rates would remain low for some while yet to help the recovery. One by-product of this last factor was that sterling declined during the month by nearly 2% against the US dollar and by 4% against the yen, thus helping the sterling value of the Fund's overseas assets.

So is it back to the good old days of almost free money and rising asset markets? Herein lies the rub. We always felt that once through the appalling economic performance in the early part of 2009 there was scope for world economic data to surprise on the upside, via restocking and the effects of cheap money and global fiscal expansion on a scale not seen in peacetime. However there would come a point where the bill for the mopping-up would arrive, and exit strategies would have to be articulated and embraced by the authorities if inflation and monetary debasement were to be avoided. Of these latter we see no evidence at all, and it is precisely that which informs our strategy to avoid nominal assets and have inflation protection in place via global index-linked securities, equities and gold. If short-term rates do indeed stay low we will soon have a position where they are negative in real terms; while we have no quibble with the view that the equity rally can continue, especially if the authorities remain accommodative; what we strongly believe is that the exit from the credit crisis can in no way be a painless and costless event, and normality can in no way simply resume, as if one were simply awakening from an unpleasant nightmare with no nasty after-effects.

To that extent the strategic shape of the portfolio has changed little over the past month. We sold our holding in Annaly, and took profits on our holding in Deutsche Post. On the buy side we increased our position in Tesco, and introduced a holding in Loomis, the European cash-in-transit company. As we said above, while we are happy presently to participate in the equity rally, and indeed would expect it to broaden and boost our blue-chip holdings in the Western markets, it is in our nature to endeavour to keep ahead of the game; to that extent the portfolio shape reflects the feeling that it is imprudent not to have one eye on the exit, as the day of reckoning moves closer.

Portfolio structure as at 28 Aug 2009



Source: Ruffer LLP

Ten largest holdings as at 28 Aug 2009

Stock	% of fund
1.25% Treasury index-linked 2017	8.9
US Treasury 2.375% TIPS 2025	6.0
1.25% Treasury index-linked 2055	5.7
Japan (Govt Of) 1.3% index-linked 2017	5.2
Ruffer Illiquid Strategies Fund	4.6
Sweden 3.5% index-linked 2028	3.9
Norwegian (Government) 4.25% 2017	3.9
1.875% Treasury index-linked 2022	3.1
Ruffer Japan Fund	2.9
Ruffer Baker Steel Gold Fund	2.7

Five largest equity holdings* as at 28 Aug 2009

Stock	% of fund
Kraft Foods	2.5
BT Group	2.4
Nippon Telegraph & Telephone	2.4
Itochu	2.1
Vodafone	2.1

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

NAV valuation point	Weekly – Friday midnight Last business day of the month
NAV	£146.0m (28 Aug 2009)
Shares in issue	89,129,703
Market capitalisation	£148.0m (28 Aug 2009)
No. of holdings	50 equities, 8 bonds (28 Aug 2009)
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 £4.7bn on an absolute return basis, including over £1.6bn in open-ended Ruffer funds (as at 31 August 2009).

Fund 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 8215
Fax 020 7963 8175
abruce@ruffer.co.uk
www.ruffer.co.uk

Ruffer LLP
80 Victoria Street
London SW1E 5JL