

**DECEMBER 2010**

ISSUE 67

**Share price as at 31 Dec 2010****207.00p****NAV as at 31 Dec 2010**

Net Asset Value (per share)

**195.19p****Premium/(discount) to NAV**

As at 31 Dec 2010

**6.1%****Launch price as at 8 Jul 2004****100.00p****RIC A Class since inception**Total Return (NAV)<sup>1</sup>**118.8%****£ 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****Investment report**

The year closed for Ruffer Investment Company with a rise in the asset value of 2.7% for the month and a rather larger one for the share price, with the premium over net asset value rising to 6.1%, from the end November premium of 4.2%.

This brings the year to a satisfactory close, with a total return (net asset value) of 16.5% for the year. Looking back over the 2006/2007 period when we were suffering from 'tractor on motorway' syndrome, it is now easier to see that the subsequent sharp rises in the portfolio and the sluggishness of the period immediately before were ingredients of what is essentially the same phenomenon. The five year return of 76.3% (12.0% annualised) for the total return (net asset value) gives a fairer picture of both the dark and bright sides of our performance.

The month was a time of small changes within the portfolio, without any grand change of strategy. Activity was mostly among the smaller situations; we reversed, satisfactorily, a switch that we had made from KPN, the high yielding Dutch telecom company into Axel Springer, by selling Springer at a good profit, and reinvesting back into KPN at a somewhat lower price than we had sold in October. We took a quick profit in Mizuho; this is not the start of disinvestment from Japanese financials, but it vindicated a reinforcement of an overweight position that we regarded (and

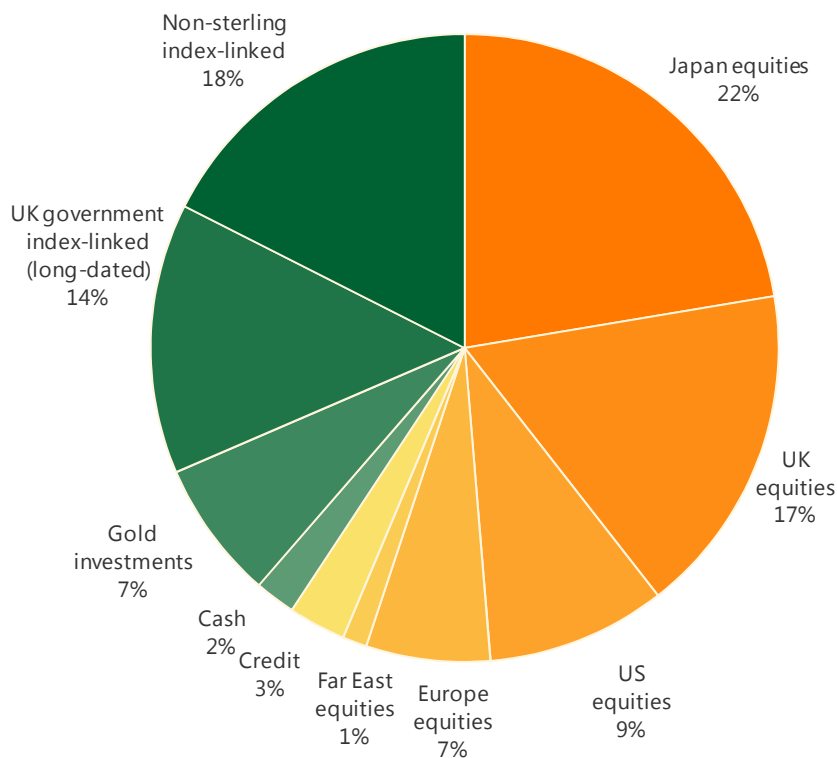
still regard) as an exceptional opportunity. We admitted early defeat on HMV which cost us about £760,000 or 0.3% of the portfolio. We have started a new position in Yell Group (one of the few ideas which make HMV seem a safe investment). We have taken tiny 'put' positions in the equity markets (playing the S&P) which have got off to a pleasingly awful start – we have made considerably more on our long equities than the £1 million (0.4% of NAV) investment in these.

We go into the end of the year cautiously optimistic about our strategy, but we remain concerned that the biggest threat to the well-being of this portfolio is a sudden downdraft in asset prices generally, in which our offsets (at least in the short term) do not save us. There is a rather off-putting consensus that Ruffer LLP as a house is well able to protect portfolios against the chances of losing money in portfolios, but the price that investors must pay for this is limited upside. It is wrong, in our view, on two counts. A 66% return over three years suggests that our ability to make money is there in spades, but these returns cry out that they cannot be achieved without risk. We think that investors should be fully alive to the possibility of a sharpish setback in valuations, but nevertheless we invite holders to remain reassured that our preoccupation – amounting almost to an obsession – is to protect the downside, not to chase the upside.

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 31 Dec 2010



Source: Ruffer LLP

## Ten largest holdings as at 31 Dec 2010

Stock	% of fund
1.25% Treasury index-linked 2017	6.0
1.25% Treasury index-linked 2055	5.4
US Treasury 2.375% TIPS 2025	5.3
US Treasury 1.625% TIPS 2015	4.8
US Treasury 1.625% TIPS 2018	4.8
CF Ruffer Baker Steel Gold Fund	4.4
T&D Holdings	3.8
Vodafone Group	3.6
CF Ruffer Japanese Fund	3.3
Ruffer Illiquid Strategies Fund 2009 Ltd	3.0

## Five largest equity holdings\* as at 31 Dec 2010

Stock	% of fund
T&D Holdings	3.8
Vodafone Group	3.6
BT Group	2.8
Kraft Foods	2.8
Nippon Telegraph & Telephone	2.2

\*Excludes holdings in pooled funds

Source: Ruffer LLP

## NAV valuation point

Weekly – Friday midnight  
Last business day of the month

## NAV

£243.28m (31 Dec 2010)

## Shares in issue

124,638,416

## Market capitalisation

£258.00m (31 Dec 2010)

## No. of holdings

53 equities, 7 bonds (31 Dec 2010)

## 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 31 December 2010, funds managed by the group exceeded £10.5bn, of which over £4.5bn was managed in open-ended Ruffer funds.

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