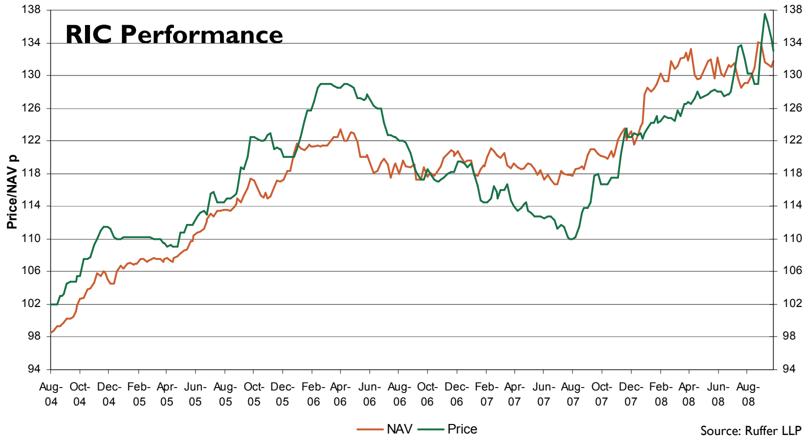
RUFFER INVESTMENT COMPANY LIMITED

An alternative to alternative asset management

Share price	133.00p	30 Sep 2008
Net Asset Value (NAV)	131.80p	30 Sep 2008
Premium (Discount) to NAV	+0.9%	31 Jul 2008
Launch price	100.00p (8 July 04)	



Performance since inception - RIC A Class

Total return (NAV)[1]	+41.6%

£ Statistics since inception

Standard Deviation[2]	1.45%
Sharpe ratio[3]	0.92
Maximum drawdown[4]	-3.5%

1—Including 5.75p dividend; 2—Monthly data

3—Monthly data annualised; 4—Monthly data. Including 5.75p 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 the end of September was 131.80p, down 1.7% on the month. The annual rise, after allowing for the dividends paid out, was 11.5% and the year to date (on a similar basis) was 8.1%.

It was an extremely difficult month to make any progress in capital value.

The contribution to performance was very much as might be expected. The winners were confined to long Swiss bonds, and the Yen currency, and a small contribution from the gold sector, all of which came from gold bullion, rather than from the individual stocks, which were mixed.

The losses were widespread, but with nothing causing a serious problem. The index-linked stocks were weak, causing the fund to drop by 0.5%, and every single one of our UK equity holdings went down, but the combined losses amounted to less than 1% of the value of the fund. The European stocks were weak, but luckily we did not have very many of them: Ericsson has never made us any money, but Swisscom, our largest equity position, was caught at a low point and has subsequently rallied quite nicely. The Japanese equities too were down, and in local terms dropped by just under 1%.

During the quarter, we made a major decision in covering the majority of our Swiss currency and hedging it into the Yen. This reverses one of our long held views that, if the going got rough (or do we mean Ruffer?), the Swiss Franc would be a natural haven in times of adversity. The hedge funds have a spanking new euphemism in describing their positions as 'pathway dependent' (which seems to mean we are right until we are wrong) - but it is a euphemism I am tempted to use here. Why have we somewhat lost our nerve on this safe haven? The answer is that we can no longer be sure that the financial institutions of Switzerland will remain intact. It makes the upper lip somewhat sweaty even to dictate this caveat – but while stranger things had not happened up until a month ago, it is now something which has to be factored into consideration. The Swiss authorities would have to put their full weight behind its financial institutions – and with a $400 billion economy, the total commitment afforded to the banks would be uncomfortably high. We therefore feel that the Swiss Franc would be weak in these exceptionally awful conditions, and it would also be weak if the sun came out for economies again. This is looking alarmingly like an each way bet against ourselves. We feel that the Yen would perform well for us in a number of eventualities. The proximate attraction is that we believe that Japan could be effectively blackmailed by America in its need to find resources to shore up its various rescue packages. If dollar weakness (which we expect) is manifest in a sharply appreciating Yen, the Japanese authorities will respond in time honoured fashion and intervene aggressively. Such action would involve selling Yen just as the supply of US treasuries becomes conveniently more available – the fruit of this intervention. It is a somewhat uncomfortable switch, moving from the downy cushions of a Cambridge punt to a cross-ocean catamaran – but it should prove quicker and surer of destination than the former.

A few scrappy equity deals were done in the quarter, of which the most significant was a further purchase of Annaly Capital Management, which we will write about next time. We have put a small holding in a coal-fired energy company in the United States, and bought some more BP. But it is the Swiss Franc/Yen switch which is the hot news this time. I see that we wrote a month ago that 'in terms of the Swissie we firmly believe that the fat lady has barely cleared her throat, let alone begun to sing' – I suppose this time we should write that she had a frog in it, so we put a sock in it!

Ten largest holdings

30 Sep 2008

Stock	% of Fund
UK Treasury 1.25% 2017	9.9%
Austria Govt 3% 2009	8.0%
US TIPS 2.375% 2025	6.6%
Swiss Govt 4% 2028	6.0%
UK Treasury 4.25% 2011	5.1%
UK Treasury 5% 2012	4.4%
Gold Bullion	4.1%
Swisscom	3.4%
BP	3.0%
Swiss Govt 2.5% 2036	2.9%

Five largest equity holdings

30 Sep 2008

Stock	% of Fund
Swisscom	3.4%
BP	3.0%
Annaly	2.8%
Nippon Telegraph & Telephone	2.8%
Kao	2.2%

Source: Ruffer LLP

Percentage Growth in NAV to 30 June 2008

30 Sep 07 - 30 Sep 08	30 Sep 06 - 30 Sep 07	30 Sep 05 - 30 Sep 06	30 Sep 04 - 30 Sep 05	30 Sep 03 - 30 Sep 04
+11.5%	+1.3%	+1.2%	+16.0	n/a

Source: Ruffer LLP

RUFFER INVESTMENT COMPANY

Quarterly return history

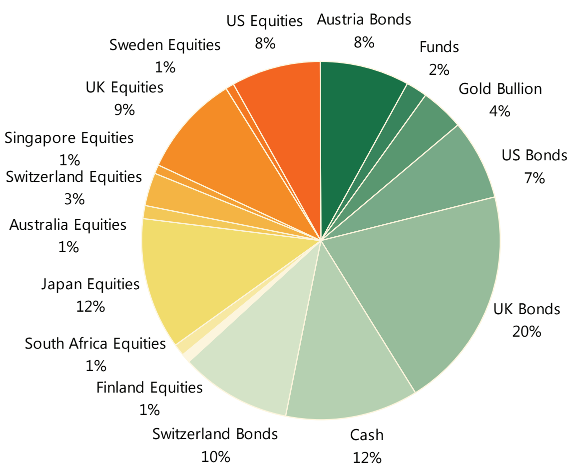
Date	31 Dec 04	30 Jun 05	30 Dec 05	30 Jun 06	31 Dec 06	30 Jun 07	31 Dec 07	30 Jun 08
NAV	106.7p	112.2p	120.5p	119.4p	119.6p	116.7p	124.2p	131.30p
% Growth	+5.4%	+4.7%	+2.6%	-2.5%	+0.7%	-1.7%	+3.2%	-1.1%

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 30 Sept 08

Source: Ruffer LLP

Geographical Allocation

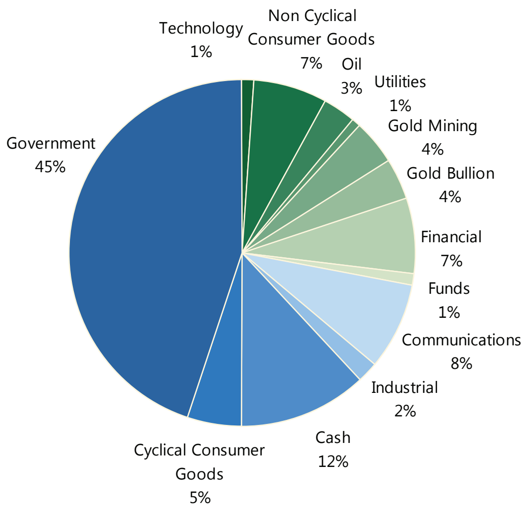
30 Sep 2008



Source: Ruffer LLP

Asset Allocation

30 Sep 2008



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/PEP/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	B018CS4
Enquiries	Ruffer LLP 80 Victoria Street London SW1E 5JL Alexander Bruce Tel: 020 7963 8215 Fax: 020 7963 8175 Email: abruce@ruffer.co.uk Web: www.ruffer.co.uk

RUFFER LLP

Ruffer LLP manages funds exceeding £2.94bn on an absolute return basis, including over £736m in open-ended Ruffer funds.

Sponsoring Broker	UBS Investment Bank 1 Finsbury Avenue London EC2M 2PP
Charges	Annual management charge 1.0% with no performance fee
NAV Valuation Point	Weekly: Friday midnight Last business day of the month
NAV	£117.5m (30 Sep 08)
Shares in issue	89,129,703
Market capitalisation	£118.5m (30 Sep 08)
No. of holdings	39 equities, 9 bonds (30 Sep 08)
Share price	Published in the Financial Times
Market Makers	UBS Investment Bank Winterflood Securities Panmure Gordon ABN AMRO

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.