

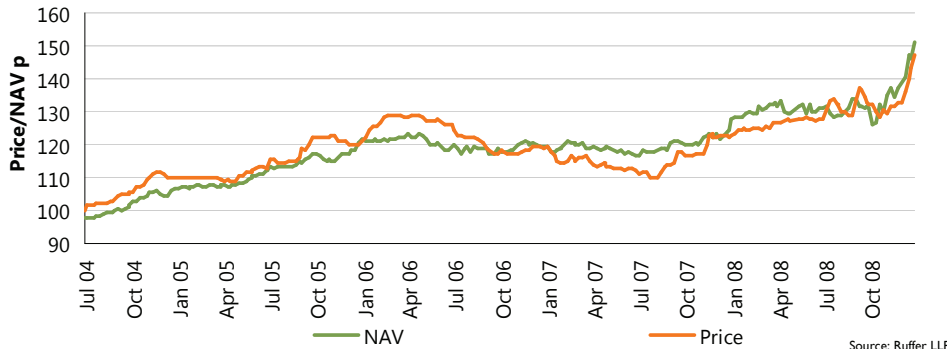


RUFFER INVESTMENT COMPANY LIMITED

An alternative to alternative asset management

| | | |
|---------------------------|---------|-------------|
| Share price | 147.50p | 31 Dec 2008 |
| Net Asset Value (NAV) | 150.90p | 31 Dec 2008 |
| Premium (Discount) to NAV | -2.3% | 31 Dec 2008 |
| Launch price | 100.00p | 8 July 04 |

RIC performance



Source: Ruffer LLP

Performance since inception RIC A Class

Total return (NAV)¹ +63.0%

£ Statistics since inception

Standard deviation² 2.03%

Sharpe ratio³ 1.05

Maximum drawdown⁴ -3.5%

¹Including 7.0p dividend

²Monthly data

³Monthly data annualised

⁴Monthly 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 31 December was 150.9p up 10.1% on the month (total return), up by 23.8% for the full year. The annual total return since inception on the basis of net asset value has been 11.5%.

The dispositions of the fund were helped by the direction of the market in December. The equities generally made good progress, but the icing on the cake was the index-linked holdings, the Yen and above all gold. There is an element of double counting here, since the Yen is designed to benefit from deflationary conditions and the index-linked, unsurprisingly, from our basic position, which is that currency compromise will result in a manifestation of inflation much more quickly than people believe. The art, we think, at the beginning of 2009 is not to give back some of the fortuitous gains that we have made in the second half of 2008. The difficulty is knowing which of a myriad of short term outcomes will be the one which actually comes about. The two moves that we have made to defend our position is to put more equity risk into the portfolio in case there is a sustained rally at the expense of defensive stocks and currencies, and to bank a fair amount of profit in the Yen exposure, which is now standing at 30.1%. We think that Sterling is likely to rally in the first part of this year, and so we have reduced exposure to foreign currencies, either through sales of stock or through forex hedging. Sterling now represents 65.0% of the portfolio.

During the month a number of deals took place. We made a profit by buying Rio Tinto extraordinarily well, and selling it badly – what could have been quite a major success for us was little better than a plate of smoked salmon, but it felt good at the time. We sold down the last of our Swisscom, at satisfactory levels. We increased our gold exposure by buying Goldfields of South Africa and Newmont. We have switched some of our steady Japanese holdings (in the last month it was the retailer Seven & I) into more financials – in this case, Mitsubishi UFJ. Both these moves were satisfactory in helping the performance along. The centre of our thinking remains that the deflationary forces, which are now fully understood and quite possibly discounted by the consensus, will, counter-intuitively, express themselves through inflation. Although we imagine that deflation must result in prices rising, if currencies are compromised, then prices will go up in that debased currency. The obvious example is Germany's Weimar Republic when it took a wheelbarrow of money to buy a week's groceries. Looking at money as a unit of account, there was a great deal of money in Germany at that time, but looking at the Mark as a store of value, there was effectively no money there. An economy with no money in it is a caricature, not of inflationary conditions, but deflationary ones. It is extremely unhelpful that this situation is called 'hyper-inflationary'. Englishmen of a certain age know exactly what a deflation with the superimposition of a debased currency feels like, since that was exactly the situation that prevailed in the second half of the 1970s in Britain. In nominal terms prices everywhere went up, investments either went sideways or somewhat down, but everything except the wages of union members went down in real terms. This time, the working man will join the plutocrat in Breadnwaterville. Only lucky holders of the Ruffer Investment Company will know what it is to lie among the udders of plenty, and the honey bees of pleasure. May I apologise in advance if this dream turns out to be somewhat ephemeral!

Ten largest holdings

31 Dec 2008

| Stock | % of fund |
|-------------------------------------|-----------|
| UK Treasury index-linked 2.5% 2013 | 9.6 |
| UK Treasury index-linked 1.25% 2017 | 8.5 |
| US TIPS 2.375% 2025 | 7.2 |
| Japan index-linked 1.3% 2017 | 6.4 |
| Japan index-linked 1.4% 2018 | 5.6 |
| Annaly | 4.9 |
| UK Treasury 4.25% 2011 | 4.7 |
| Gold bullion | 4.4 |
| Mitsubishi UFJ Financial | 3.7 |
| NTT | 3.5 |

Five largest equity holdings

31 Dec 2008

| Stock | % of fund |
|--------------------------|-----------|
| Annaly | 4.9 |
| Mitsubishi UFJ Financial | 3.7 |
| NTT | 3.5 |
| Newmont | 3.1 |
| BP | 2.7 |

Source: Ruffer LLP

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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RUFFER INVESTMENT COMPANY

Six monthly return history

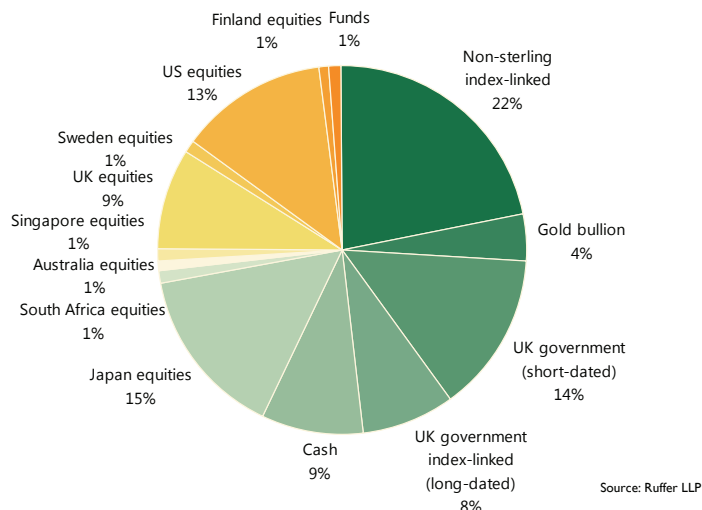
| Date | 31 Dec 04 | 30 Jun 05 | 30 Dec 05 | 30 Jun 06 | 31 Dec 06 | 30 Jun 07 | 31 Dec 07 | 30 Jun 08 | 31 Dec 08 |
|-----------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| NAV | 106.7p | 112.2p | 120.5p | 119.4p | 119.6p | 116.7p | 124.2p | 131.30p | 150.90p |
| % growth | +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

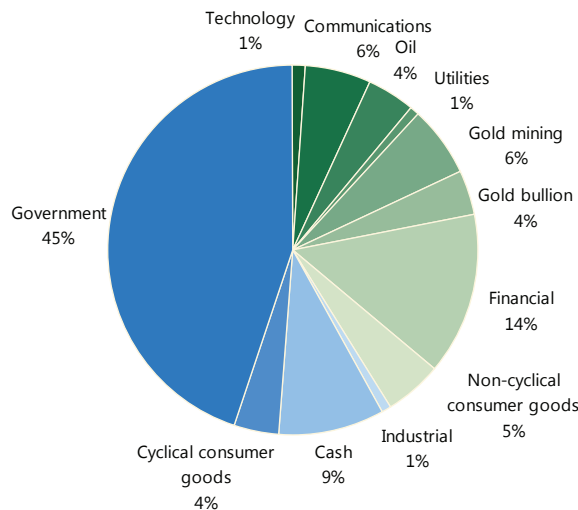
31 Dec 2008



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.

Asset allocation

31 Dec 2008



| | |
|----------------------------|---|
| 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 | 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 www.ruffer.co.uk |

| | |
|------------------------------|---|
| Charges | Annual management charge 1.0% with no performance fee |
| NAV valuation point | Weekly – Friday midnight Last business day of the month |
| NAV | £134.5m (31 Dec 08) |
| Shares in issue | 89,129,703 |
| Market capitalisation | £131.5m (31 Dec 08) |
| No. of holdings | 43 equities, 7 bonds (31 Dec 08) |
| 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.

Ruffer LLP

Ruffer LLP manages funds exceeding £3.6bn on an absolute return basis, including over £877.6m in open-ended Ruffer funds (as at 31 December 2008).

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