



CF RUFFER BAKER STEEL GOLD FUND

Achieving capital growth by investing principally in gold and precious metal related companies

DECEMBER 2011

ISSUE 98

Share price as at 30 Dec 2011

Accumulation shares

254.54p

Launch price as at 1 Oct 2003

100.00p

Percentage growth

31 Dec 2010 – 30 Dec 2011	-32.5%
31 Dec 2009 – 31 Dec 2010	60.9%
31 Dec 2008 – 31 Dec 2009	95.0%
31 Dec 2007 – 31 Dec 2008	-35.6%
29 Dec 2006 – 31 Dec 2007	14.2%

Source: Ruffer LLP

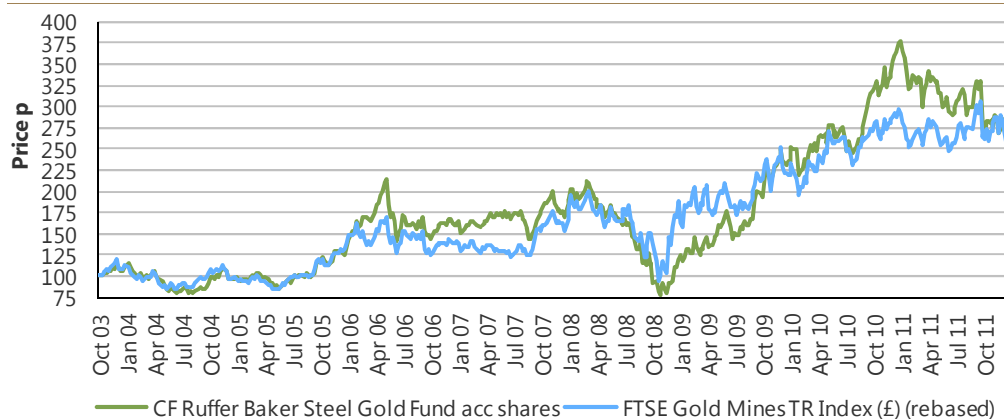
Investment adviser	Ruffer LLP
Sub-advisor	Baker Steel Capital Managers LLP
ACD	Capita Financial Managers Limited
Depository	BNY Mellon Trust & Depository (UK) Limited
Auditors	Grant Thornton UK LLP
Structure	Sub-fund of CF Ruffer Investment Funds (OEIC) UK domiciled UCITS III Eligible for ISAs
Share classes	Accumulation only
IMA classification	Specialist Fund
Benchmark (performance comparator)	FTSE Gold Mines Index Total Return (£)

Ruffer performance is shown after deduction of all fees and management charges, and on the basis of income being reinvested. 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.

Investment objective

The fund aims to achieve capital growth over the long term by investing principally in gold and precious metal related companies within the mining industry.

Performance since inception



Source: Ruffer LLP

Monthly review

The CF Ruffer Baker Steel Gold Fund fell 6.4% this month, compared with the FTSE Gold Mines Total Return Index which fell 13.3%. Gold fell 10.5% (US\$) for the month, 9.3% in sterling.

2011 has been a year marked by deteriorating economics and political upheaval across the globe. It has been a tumultuous period: the Arab Spring, the European sovereign debt crisis, anaemic growth in developed countries and slowing growth in developing nations. Gold certainly lived up to its safe haven status, surging from US\$1420/oz at the end of 2010 to over US\$1900/oz in August 2011, ending the year up 10.1%, the eleventh consecutive annual rise and outperforming major equity indices in 2011.

Despite the average gold price achieved by gold producers rising 28% year-on-year (US\$), the performance of the fund and the broader gold equities market have been disappointing, down 32.5% and 14.4% respectively. Whilst equity risk premiums have increased across all sectors, the fundamentals of gold equities have improved markedly leading to very attractive valuations. Furthermore, what seemed rhetoric surrounding dividend increases in late 2010 became reality in 2011 with a number of companies implementing gold and silver price-linked dividends. A more balanced attitude by company management to growth capital and the return of excess free cash flow to shareholders should ultimately make the sector attractive to those investors who are prepared to take an active approach to gold investing.

The last quarter of the year saw the fund perform relatively well against the index in a falling market. A number of core holdings rallied on stock specific news flow: Resolute Mining, the fund's largest holding, completed a transformation of its balance sheet over the past 12 months, reducing its borrowings from US\$168million at the end of 2010, to just over US\$10million through capital discipline and

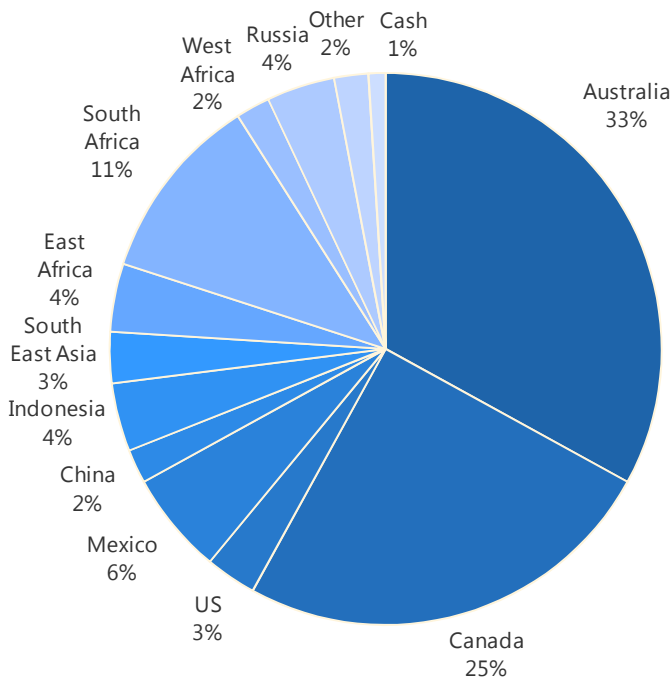
strong operational cash flows; La Mancha Resources posted record Q3 net earnings (up 137%) and is anticipated to end 2011 with in excess of US\$100million cash on its balance sheet which can be used to fund expansions at its operations in 2012; and Yamana Resources, which will start up a number of new mines over the next two years, announced the first gold pour at the first of these, its Mercedes mine in Mexico, more than six months ahead of schedule.

The fund has nonetheless experienced its share of negative stock specific events in 2011. Such events will always represent a short term constraint for the fund due to the nature of its investments in companies developing new operations in an industry that remains stretched due to the continuing global demand growth for natural resources.

Outlook for 2012

Whilst we expect the gold price to remain volatile in the coming months due to the continuing uncertain geopolitical and economic outlook, the long-term drivers for gold remain intact. Central Banks in Europe, the UK and the US continue to maintain negative real interest rates whilst many others have been accumulating gold to diversify their exposure to steadily devaluing foreign exchange reserves. Given that austerity measures and efforts to control the deficits of European countries have had, in reality, minimal impact upon European debt levels, and that Italy alone has over US\$400billion in sovereign bonds to roll-over in 2012, further easing appears inevitable. Gold equities appear over-sold, especially given the average gold price received by producers fell only 1.4% in the last quarter. Producers remain very profitable, have robust balance sheets and 2012 could see an increase in M&A activity. Relative equity valuations are marked, providing both opportunities for companies looking to grow through acquisition and offering a number of very compelling investment opportunities for the fund.

Portfolio structure as at 30 Dec 2011



Source: Ruffer LLP

Ten largest holdings as at 30 Dec 2011

Stock	% of fund
Resolute Mining	7.0
Harmony Gold Mining	6.1
Gold Fields	4.6
OceanaGold	4.4
Yamana Gold	4.1
Archipelago Resources	4.1
Evolution Mining	4.0
Banro	3.7
La Mancha Resources	3.6
Nevsun Resources	3.2

Source: Ruffer LLP

Ruffer LLP

Ruffer LLP manages investments on a discretionary basis for private clients, trusts, charities and pension funds. As at 30 December 2011, funds managed by the group exceeded £12.8bn, of which over £5.4bn was managed in open-ended Ruffer funds.

Baker Steel Capital Managers LLP

Baker Steel, a specialist natural resources fund manager established in 2001, has around US\$1.3bn under management. The founders and managing partners, David Baker and Trevor Steel, have extensive experience and an award-winning performance record. The investment team is complemented by robust operational and systems infrastructure. Baker Steel has worldwide, 24 hour market coverage with offices in London and Sydney.



DAVID BAKER
Fund Manager

Co-founded Baker Steel Capital Managers LLP (BSCM) in 2001. Previously a senior portfolio manager at Merrill Lynch Investment Managers (MLIM), specialising in the Natural Resources sector. He has a degree in mineral processing and a Masters in mineral production management from Imperial College, London.



TREVOR STEEL
Fund Manager

Co-founded BSCM in 2001. Previously worked alongside David Baker for over nine years in building MLIM's Natural Resources team. He holds a degree in Geology from the Royal School of Mines, Imperial College, London. Trevor is a Regular Member of the CFA Institute and CFA UK Society.

Enquiries

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Fund information

Fund size	£440.1m (30 Dec 2011)
No. of holdings	79 (30 Dec 2011)
No. of companies invested in	63 (30 Dec 2011)
Minimum investment	£1,000
Distribution yield	0%
Total Expense Ratio	1.89%
Ex dividend dates	15 March, 15 September
Pay dates	15 May, 15 November

Capitalisation breakdown	% NAV	Size	Market cap
	16.2%	Large	US\$5bn+
	15.3%	Mid	US\$1-\$5bn
	68.5%	Small	US\$0-\$1bn

Dealing	Weekly forward to 10am Wednesday, based on NAV Plus forward from 10am on last Wednesday of the month to last business day of the month
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Dealing line	0845 601 9610
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ISIN Number	O class: GB0033628156
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Charges	Initial charge 5% Annual management charge O class 1.85%
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