



CF RUFFER EUROPEAN FUND

Providing capital growth by investing in a diversified pan-European portfolio

DECEMBER 2011

ISSUE 99

Share price as at 30 Dec 2011

'O' accumulation shares

360.34p

Launch price as at 5 Jun 2002

100.00p

Percentage growth

31 Dec 2010 – 30 Dec 2011	-6.0%
31 Dec 2009 – 31 Dec 2010	15.7%
31 Dec 2008 – 31 Dec 2009	9.1%
31 Dec 2007 – 31 Dec 2008	9.8%
29 Dec 2006 – 31 Dec 2007	21.7%

Source: Ruffer LLP

Sector ranking*

(Mixed investment 40–85% shares)

Position/No. of funds

1 year	65/139
3 years	94/113
5 years	1/90

Source: Lipper, Morningstar

Investment adviser Ruffer 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

IMA classification* Mixed investment 40–85% shares

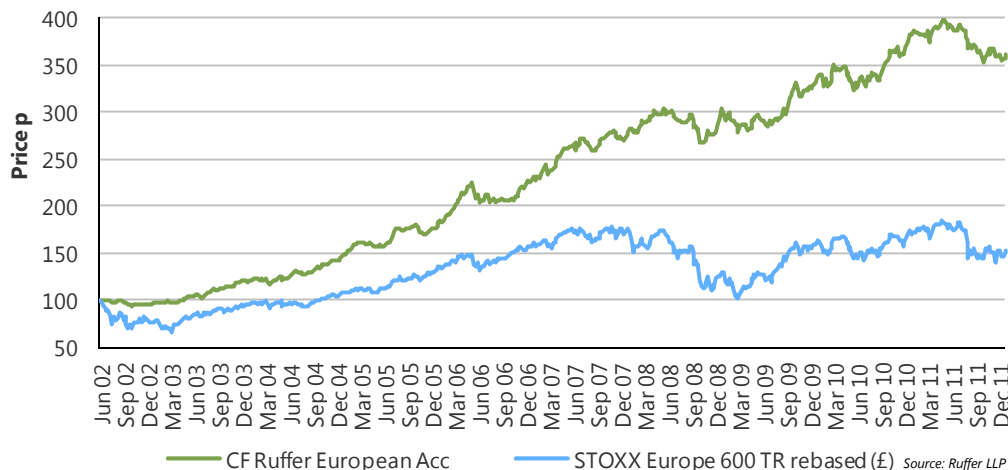
* Sector renamed by IMA on 1 Jan 2012

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 provide capital growth by investing in a diversified pan-European portfolio of predominantly equities, though fixed income securities may also be utilised if the Investment Manager believes they will assist in meeting the overall objective of the Fund.

Performance since inception



Monthly review

During December, the fund's 'O' Accumulation units rose by 0.3%, from 359.42p to 360.34p. This compares to a 5.4% rise in the STOXX Europe 600 index in euro terms and a 3.4% rise on a comparable, sterling-adjusted basis.

The fund's equity exposure was 63.4% at the end of December (of which 0.9% in index put options), down from 63.8% at the end of November (of which 2.9% in index put options). The (index-linked) fixed interest weighting fell from 16.4% to 14.7%. The gold bullion weighting fell from 4.8% to 3.6%. These movements left the balancing cash position at 18.3%, up from a 15% weighting at end-November. Addressing currencies, the fund's euro exposure remained fully hedged back into sterling, hence the latter's 74% weighting at period end. In addition, the fund holds 8% in Swedish krona, 8% in Swiss francs, 6% in Norwegian krone and 4% in US dollars, the latter a function of our gold bullion holding.

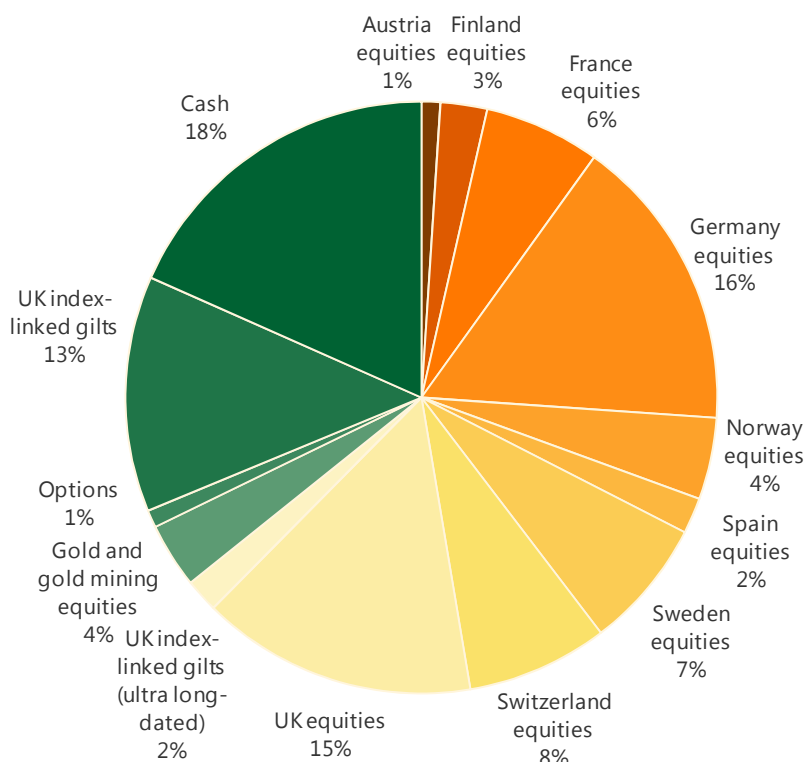
The year 2011 has proven to be a challenging one, even for those of us who emerged shell shocked from the horrors of the 2008-2009 credit crunch with reputations more or less intact. If there were lessons to be learned from the run-up to the credit crunch, then one was that if things appeared almost too good to be true, then they certainly were too good to be true. As born optimists, it nonetheless seemed churlish to bet against the raft of German and Swiss companies we met during the first half of 2011, given that so many of them seemed to be in 'corporate nirvana', with profit margins pushing through previous peak levels and order books filling out well into 2012. At this point, there were few clouds on the corporate horizon.

Perhaps it was the prospect of a keenly awaited August holiday that led us to throw all caution to the wind, and fill the portfolio with a bucket load of put options. Alternately, it might have been

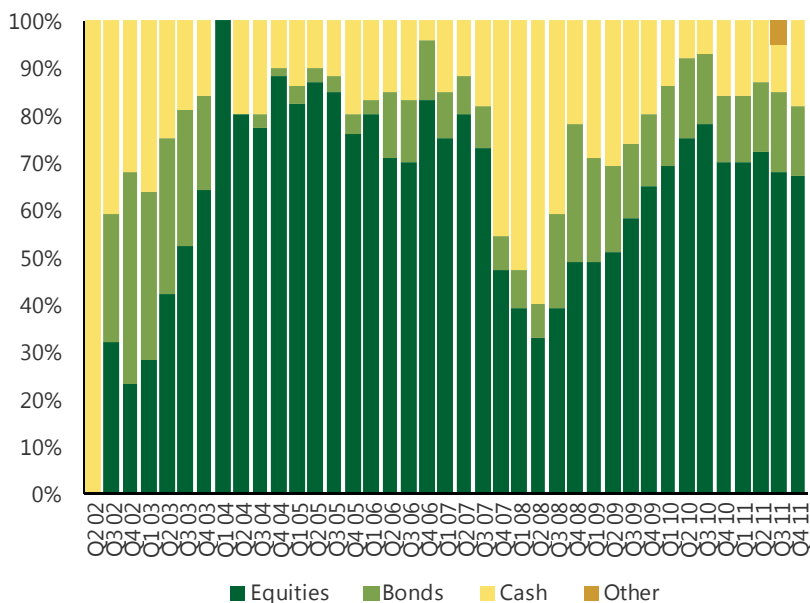
the simmering macro-economic crisis within the eurozone, triggered initially by Ireland and Greece, but then spreading to Spain, and even Italy. Whatever the catalyst, one half of the Ruffer European team withdrew to the Black Forest only to be confronted with news of catastrophic falls across various European indices. Volatility on the scale that we saw in August was hardly conducive to a restful holiday, but nevertheless we managed to navigate the fund through this period thanks to a very high level of protection, combined with a 35-40% weighting in non-equity assets.

Subsequent months have been relentlessly volatile, but we have used the same combination of put option protection and a significant non-equity weighting with reasonable effect. Sadly, we failed to do so with sufficient aplomb to salvage the fund's otherwise unbroken record of positive absolute returns over the period from 2003 to 2010, finishing 2011 down 6%. In this respect, we can only hang our heads in shame, but in many others we look forward to 2012 with a fair degree of optimism. We have no doubt that the macro-economic picture will continue to remain cloudy, and that Frau Merkel's political brinkmanship will continue to add an extra layer of risk to financial markets. However, we believe that these same markets will continue to throw up what will prove to be quite stunning buying opportunities in certain stocks, admittedly perhaps only on a two to three year time scale. The equity 'mix' in the fund ranges from defensive, high-yield names such as Deutsche Post, Ebro Foods and Loomis, to small/mid-cap exotica including names such as Biogaia, Byotrol, Earthport, IP Group and Karolinska Development. All of the latter have the wherewithal to provide multiple returns on our original investment, whether through their presence in niche markets, or through their innovative technology and/or intellectual property portfolios.

Portfolio structure as at 30 Dec 2011



Asset allocation



Ten largest holdings as at 30 Dec 2011

Stock	% of fund
UK Treasury index-linked 1.25% 2017	11.6
Carclo	4.4
Gold Bullion Securities	3.6
Statoil	3.0
IP Group	2.7
Loomis	2.6
Fresenius Medical Care	2.6
Deutsche Post	2.4
Emmi	2.1
Sika	1.9

Source: Ruffer LLP

Fund information

Fund size	£220.3m (30 Dec 2011)
No. of holdings	62 equities, 3 bonds (30 Dec 2011)
Minimum investment	£1,000
Benchmark (performance comparator)	STOXX Europe 600
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
Dealing line	0845 601 9610
ISIN Number	O class: GB0031678161
Sedol Number	O class: 3167816
Distribution yield	0.65%
Total Expense Ratio	1.57%
Ex dividend dates	15 March, 15 September
Pay dates	15 May, 15 November

Charges	Initial charge 5% Annual management charge O class 1.5%
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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.



TIMOTHY YOUNGMAN Investment Director (Europe)

Moved into European equity research in 1985, after a period with McKinsey & Co and at Manchester Business School. He moved from Savory Milln to SG Warburg in 1988, and then to an independent research boutique in 1999, before joining Ruffer in January 2003. He is co-manager of the CF Ruffer European Fund.



GUY THORNEVILL Investment Director (Europe)

Began at Threadneedle Investments in 1996 on the US equity desk and as a fund manager. After four years in Paris at Jefferies International as a pan-European stock-picking analyst on the sell side, he returned to London in 2007 to work for AllianceBernstein, researching European mid-cap companies. He is a CFA charterholder and joined Ruffer in 2009. He is co-manager of the CF Ruffer European Fund.