CF RUFFER EQUITY & GENERAL FUND

An actively-managed fund emphasising absolute growth with diversity of risk

DECEMBER 2011
ISSUE 109

Share price as at 30 Dec 2011
'O' accumulation shares
282.67p

Share price as at 30 Dec 2011
'O' income shares
263.74p

Launch price as at 1 Dec 1999
100.00p

Percentage growth

31 Dec 2010 – 30 Dec 2011	3.5%
31 Dec 2009 – 31 Dec 2010	7.9%
31 Dec 2008 – 31 Dec 2009	14.4%
31 Dec 2007 – 31 Dec 2008	7.3%
29 Dec 2006 – 31 Dec 2007	5.8%

Source: Ruffer LLP

Sector ranking (Flexible investment)

	Position/No. of funds
1 year	2/123
3 years	56/107
5 years	1/83

Source: Lipper, Morningstar

Investment adviser	Ruffer LLP
ACD	Capita Financial Managers Limited
Depositary	BNY Mellon Trust & Depositary (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 and Income
Distribution yield	0.77%
Total Expense Ratio	1.58%

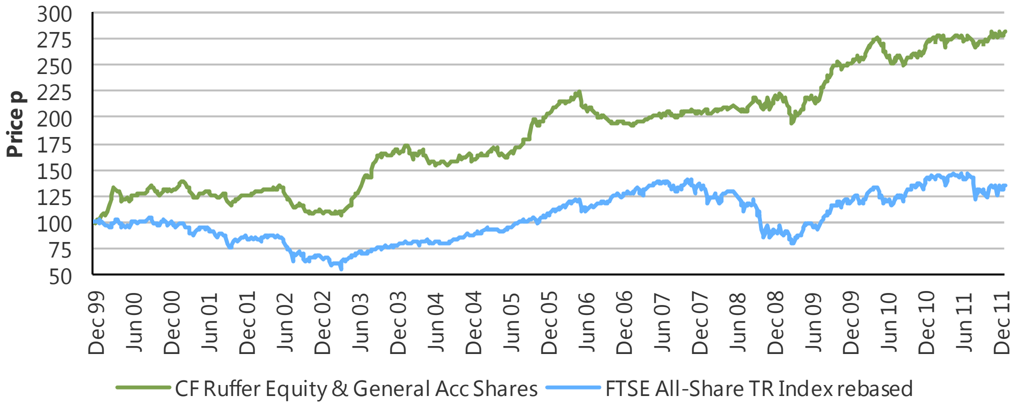
** Sector renamed by IMA on 1 Jan 2012*

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 global portfolio of predominantly equities. The Fund is actively managed, and is not constrained by any requirement to track indices or conform to investment fashion.

Performance since inception



Source: Ruffer LLP

Monthly review

The CF Ruffer Equity & General Fund ('REG') increased 2.0% in December, compared with an increase of 0.8% in the FTSE All-Share Total Return Index.

During December I spent time in the US. As discussed previously, the US economy has been gradually healing – the improvement is modest but things are getting better. A key question is why the economic data was not negatively affected by the US downgrade, the European upheaval and the stock market decline during the summer and autumn months. A year ago the US growth was more pronounced and expectations for a strong 2011 were high; this lasted until May when the financial upheaval in Europe and the earthquake in Japan led to the US economy stalling. Why was the US economy affected then but not at all in the autumn? We recently discussed this with many CEOs but there was no strong view. My sense is that a key parameter which affected the US economy last spring but not in the autumn was the price of oil. The US has been operating at a low growth level and it is a relatively insular economy, hence quite resilient to the international headlines, but the consumer's psyche is very much affected by the oil price. The higher the oil and gasoline prices, the more likely that bad economic data will follow. Therefore, yes, America's growth pattern seems to be 'fermenting' and time is probably with it absent an external shock (eg from Europe) but we should be wary of the higher gasoline/oil prices.

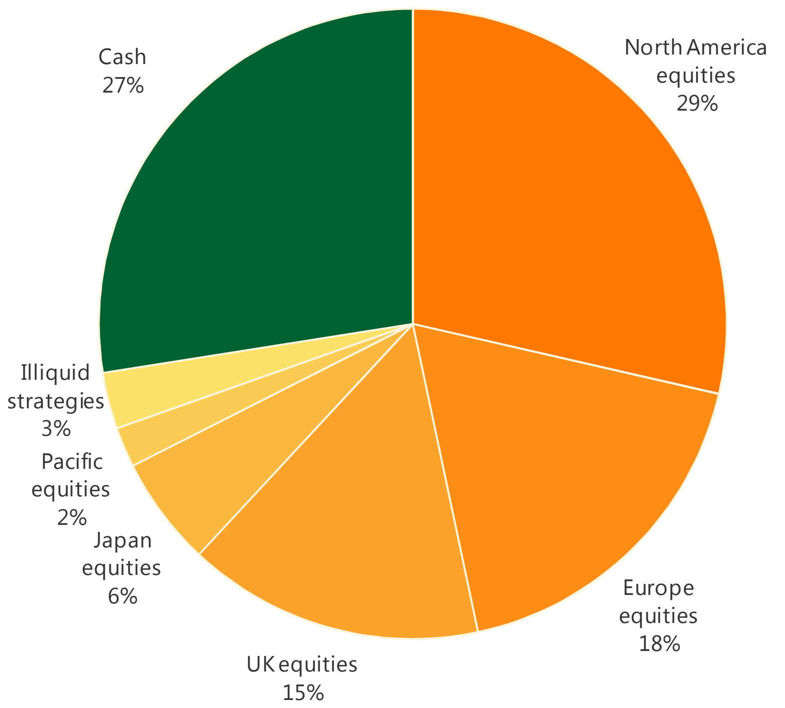
Which sector did badly in 2011, has suffered from lots of negative news during the last two years, is not characterised by peak margins (in contrast to many industries), should eventually exhibit better earnings if/as the US economy keeps improving and has low valuations?

The US financials. Hence, during the last few months we have intensely analysed many companies in this sector and spent time with their management. In an unloved industry we can buy the best at attractive prices. A precondition for investing in financials is a) to be positive on the US recovery in the medium term and b) to accept high volatility. Assuming the economy keeps improving, the moment the 10 year treasury yield moves a bit higher because people believe the better economic data and as housing improves and loan growth returns, financial stocks should do well. So far we have focused on the very well capitalised, quality businesses which will become stronger with time. We bought regional banks but also JPMorgan Chase ('JPM'). Although the regionals are more directly related to the US economy and probably easier to analyse, JPM is a more complex case: not only is it a retail bank (Chase) but it also consists of the investment bank. This is a bet on Mr Dimon, who we have been following since his earlier days at Travelers and Bank One. Management in financials is extremely important – as we saw during the crisis it can break solid franchises. A bank's CEO should be the Chief Risk Officer and Mr Dimon has exhibited this rare quality. JPM has more European exposure than other US banks but this has created an opportunity to buy a solid business at a very attractive price.

In a similar way that we invested in Kraft a few years ago when margins were low and most avoided the stock because it had lost them money, we now invest in financials on a 3-5 year view. They will be volatile and patience will be required. This is probably the most important lesson learnt during the last five years that I have been managing money with REG: having enough patience is difficult but important.

During 2011 REG rose by 3.5%. Even though in absolute terms this is unexciting and lower than my 10% annual goal, it was a decent return versus the 6.6% fall in global markets (FTSE All-World, total returns in Sterling). I deeply thank Sahil Gaba and Shaheen Zaman, they are a great team with whom I look forward to working every day.

Portfolio structure as at 30 Dec 2011



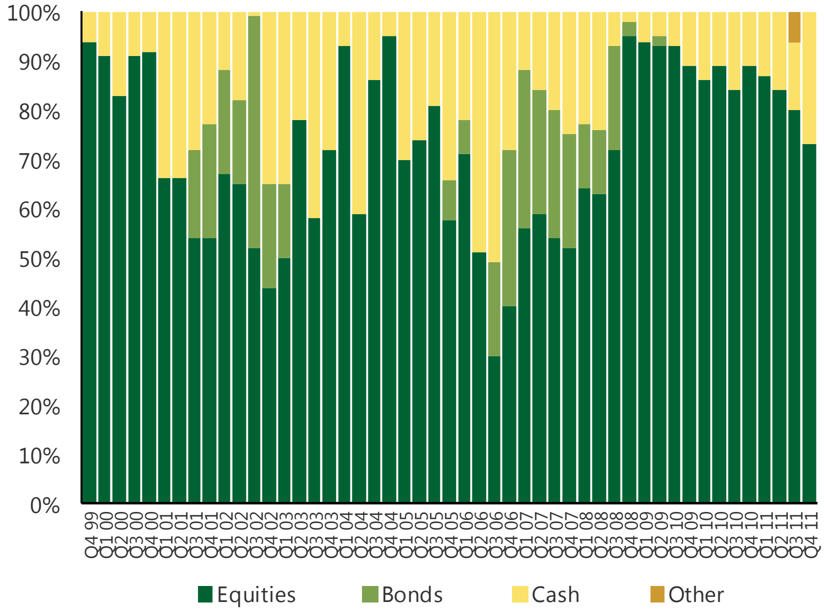
Source: Ruffer LLP

Ten largest holdings as at 30 Dec 2011

Stock	% of fund
Oesterreichische Post	4.5
Johnson & Johnson	3.0
Wal-Mart	2.3
Better Capital	2.2
Merck	1.8
Berkshire Hathaway	1.8
Kraft Foods	1.7
Exelon	1.5
Ericsson	1.4
Roche Holdings	1.4

Source: Ruffer LLP

Asset allocation



ALEX GRISPOS Investment Director
Graduated from Imperial College with a First Class degree in Mechanical Engineering, started in equity research in 1998 at Alpha Trust in Greece, then worked in venture capital for six years. Joined Top Technology Ventures in the UK, and subsequently became Investment Manager with RTF based in London and St. Petersburg, Russia. Joined Ruffer in 2005 and is manager of the CF Ruffer Equity and General Fund.

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.

Fund information

Fund size	£134.0m (30 Dec 2011)
No. of holdings	92 equities (30 Dec 2011)
Minimum investment	£1,000
IMA classification*	Flexible investment
Benchmark *(performance comparator)*	FTSE All-Share Index
Ex dividend dates	15 March, 15 September
Pay dates	15 May, 15 November
Charges	Initial charge 5% Annual management charge O class 1.5%
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**: GB0009346718 (acc) GB0009340802 (inc)
Sedol Number	**O class**: 0934671 (acc) 0934080 (inc)

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* *Sector renamed by IMA on 1 Jan 2012*