



CF RUFFER JAPANESE FUND

Providing capital growth by investing in a portfolio of Japanese equities

DECEMBER 2011

ISSUE 32

Share price as at 30 Dec 2011

'O' accumulation shares

96.96p

Launch price as at 14 May 2009

100.00p

Percentage growth

31 Dec 2010 – 30 Dec 2011	-8.0%
31 Dec 2009 – 31 Dec 2010	6.0%
31 Dec 2008 – 31 Dec 2009	n/a
31 Dec 2007 – 31 Dec 2008	n/a
29 Dec 2006 – 31 Dec 2007	n/a

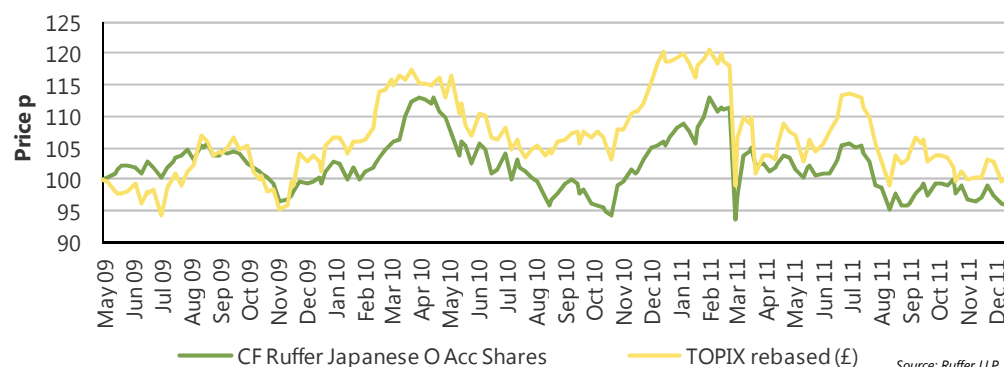
Source: Ruffer LLP

Investment objective

The investment objective of CF Ruffer Japanese Fund is to provide capital growth by investing in a portfolio of predominantly Japanese equities, though Japanese fixed income securities and fixed income securities and equities from other geographical areas may be utilised if the Investment Manager believes they will assist in meeting the overall objective of the sub fund.

The sub fund may also invest in collective investment schemes, cash, money market instruments, other transferable securities and derivatives and forward transactions and other investments to the extent that each is permitted by the regulations. There will be no particular emphasis on any industrial or economic sector.

Performance



Monthly review

During the period from 1 December to 30 December, the price of the Fund's 'O' Accumulation shares decreased by 0.3% from 97.26 pence to 96.96 pence. During the same period, the TOPIX on a sterling-adjusted basis rose by 2.0% while the TOPIX in yen went up by 0.02%. As of the close of 30 December, the fund was 82.0% invested in equities and its cash position was 18.0%. As for the calendar year 2011 performance, during the period from 1 January to 31 December, the price of the fund's 'O' Accumulation shares decreased by 8.0%, the TOPIX on a sterling-adjusted basis fell by 14.0%, and the TOPIX in yen went down by 18.9%.

Both the TOPIX and Nikkei 225 indices ended the calendar year of 2011 at their lowest year-end closing levels in 29 years since 1982. Unlike the JGB market, more than 90% of which is owned by Japanese domestic investors, the Japanese equity market is driven by foreign investors. Share prices were battered in the second half of 2011 as foreign investors sold Japanese equities into a very thin market as the Japanese yen continued to appreciate against major currencies amid the sovereign debt crisis in Europe.

We visited more than 30 companies in Japan during the first two weeks of December and our general impression is that Japanese companies are doing much better than their share prices are implying in spite of the combination of so many adverse conditions. Japanese companies had been operating in a very difficult environment of a declining and ageing population, a lack of adequate policies, high corporation tax rates, fierce domestic competition, a strong yen, and so forth even before they faced yet more new challenges in 2011.

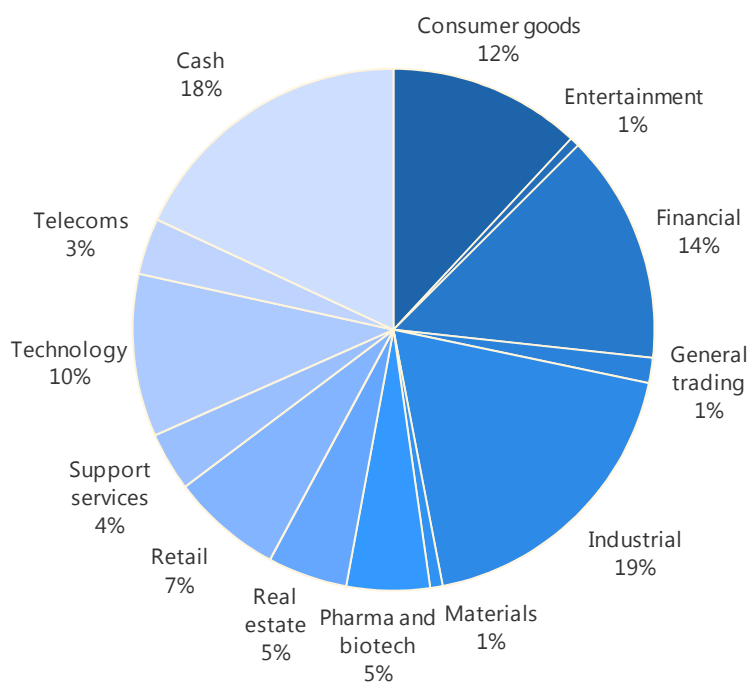
Japan suffered from the Great Tohoku Earthquake of magnitude 9.0 on 11 March and the subsequent devastating 40 metre high tsunami, the nuclear disaster at the Fukushima nuclear power station and associated rolling blackouts that crippled industries over the summer months, the Thai floods and related supply chain issues in addition to the sovereign debt crisis in Europe and possible hard-landing of the Chinese economy. The Japanese yen continued to appreciate against major currencies and suffocated many Japanese companies.

On the other hand, more and more Japanese companies have been taking advantage of the strength of the yen and low interest rates in Japan to acquire businesses and assets abroad. A sharp spike in the yen against major currencies tends to trigger an acceleration of foreign direct investment by Japanese companies, which in turn leads to a subsequent gradual depreciation of the yen. When it comes to macro economic statistics, investors tend to focus on Gross Domestic Product ('GDP') figures and dismiss Japan and Japanese companies as there seems to be limited prospects for growth. However, it is interesting to compare GDP with Gross National Income ('GNI') over a long period of time by calculating ratios of (GNI-GDP)/GDP*100(%). In the case of Japan, this ratio was often negative before 1980 but has increased gradually from about 0% to 3% over the last 30 years since then. This clearly suggests that Japanese companies' receipts from their overseas operations as well as for their patents have been rising over the last 30 years and that there are companies which have unilaterally adapted to the changing environment by taking it upon themselves to become a provider of capital, technology, services and intellectual property outside Japan.

Strong competition and tough environments are the mothers of corporate invention. We hope to be able to identify companies leading the pack in this respect. We shall also continue to try to identify opportunities to buy high quality businesses at reasonable prices, value stocks with low EV/EBITDA ratios, high prospective dividend yields and improving operating margins as well as ROEs and also stocks in special situations. If the above-mentioned adverse conditions start to ease bit by bit and one by one, it will be an additional bonus as Japanese companies are likely to be able to demonstrate their strength more easily.

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.

Portfolio structure as at 30 Dec 2011



Source: Ruffer LLP

Ten largest holdings as at 30 Dec 2011

Stock	% of fund
Nippon Telegraph & Telephone	3.4
Kao Corp	3.4
T&D Holdings	3.3
Hitachi	3.2
INPEX	2.7
Daiei	2.5
Yokogawa	2.0
Sony	2.0
Toyota	1.9
Orix	1.9

Source: Ruffer LLP

Fund information

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 only
IMA classification*	Flexible investment

* Sector renamed by IMA on 1 Jan 2012



KENTARO NISHIDA Investment Director – Japan

After obtaining a BEcon in Japan and studying Russian in Moscow he worked as an interpreter in both Russia and the UK. He moved into equity sales in 1988 for James Capel & Company Limited and then SG Warburg Securities in 1989. He joined Ruffer in 2008 to concentrate on Japanese equities and manages the CF Ruffer Japanese 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.

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Fund size	£271.7m (30 Dec 2011)
No. of holdings	95 equities (30 Dec 2011)
Minimum investment	£1,000
Benchmark <i>(performance comparator)</i>	TOPIX (£)
Distribution yield	n/a
Total Expense Ratio	1.58%
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	GB00B3SGKR77 (O acc)
Sedol Number	B3SGKR7 (O acc)
Ex dividend dates	15 March, 15 September
Pay dates	15 May, 15 November
Charges	Initial charge 5% Annual management charge O class 1.5%