



CF RUFFER PACIFIC FUND

Consistent positive returns by investing in a diversified portfolio of Asia Pacific securities

DECEMBER 2011

ISSUE 98

Share price as at 30 Dec 2011

'O' accumulation shares

194.26p

Launch price as at 3 Dec 2003

100.00p

Percentage growth

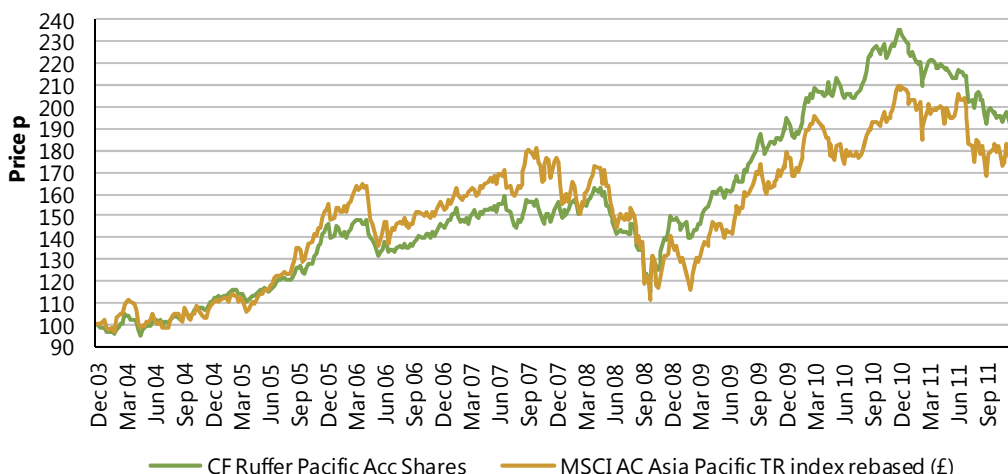
31 Dec 2010 – 30 Dec 2011	-17.4%
31 Dec 2009 – 31 Dec 2010	24.4%
31 Dec 2008 – 31 Dec 2009	25.7%
31 Dec 2007 – 31 Dec 2008	4.1%
29 Dec 2006 – 31 Dec 2007	6.2%

Source: Ruffer LLP

Investment objective

The investment objective of CF Ruffer Pacific Fund is to deliver consistent positive returns by investing in a diversified portfolio of predominantly Asia Pacific equities. The sub-fund may also invest in fixed income securities, 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 in the stated investment and borrowing powers of the Company, with the proportion of the sub-fund invested in each asset class varying over time in line with changes in the Investment Manager's view about their relative attraction and subject to the limitations on investments contained in the prospectus.

Performance since inception



Source: Ruffer LLP

Monthly review

Over the month, the CF Ruffer Pacific Fund fell by 0.7%, compared to a 1.6% rise in the MSCI Asia Pacific Index, adjusted for sterling. 2011 has been a depressing year to be an investor in Asia. Despite the region's sound finances, it has not been immune from the problems in the West, and the capital markets have borne the brunt of it, with the major regional indices down 15-30% in local currency terms. Thus despite our caution, high cash holding and defensive stance, the fund's performance has been disappointing, with a fall of 17.4%.

What can we expect in 2012? We do not expect any quick fix to the problems of over-indebtedness in Europe, the US or Japan. There have been signs for the past few months that Asian growth is slowing, and things are not getting any better: manufacturing in December fell for a fifth consecutive month in Korea, and a seventh consecutive month in Taiwan, two of the region's countries most exposed to external demand. It is understandable that export plays should be hurt in the current environment, but in this very interconnected world it is difficult to hide even in purely domestic plays. We have recently sold shares in a company we otherwise like very much on the basis that although all its sales are 'local', a quarter of its customers are overseas workers (mainly nurses and housemaids) in the more troubled parts of the eurozone and whose remittances depend on the level of the euro – and indeed, on whether they can keep their jobs.

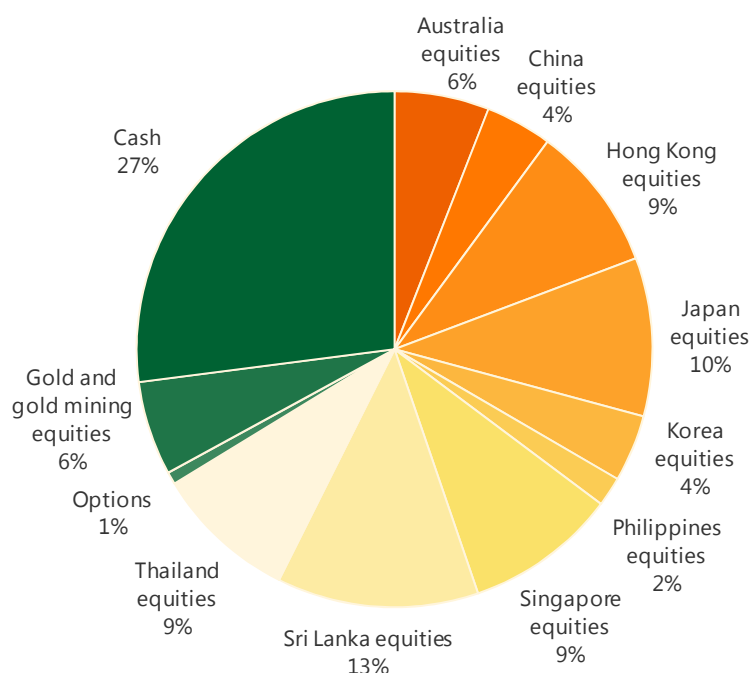
As we have said many times before, China has some serious economic problems of its own, although, thanks to its closed capital account, it has more flexibility than most to manage them. The main danger in the short term is that it will slow too fast, leading to bad debts and possible social unrest if unemployment rises. There is also the risk of a property crash. China's investment in property had slowed to 9.7% in November, down from a peak of 30% this year, while residential sales are in negative territory and housing inventory continues to rise. Offset against this is the drop in the CPI

to 4.2% in November, which gives the Chinese government some room for manoeuvre. It remains to be seen how decisive the government will be. The leadership transition in China begins this year, in a process that is likely to take twelve to eighteen months. Hu Jintao has been General Secretary of the Communist Party since 2002 and President since 2003; he is likely to be replaced by Xi Jinping. Chinese Premier, Wen Jiabao, is likely to be replaced by Li Keqiang, plus there is a whole generation of high ranking politicians who have reached retirement age. The Twelfth Five Year plan (2011–2015) has already been set out, and the emphasis will be on continuity, but there is nonetheless likely to be a certain amount of factional fighting and jockeying for position, particularly since the current leaders will be in place for the next ten years. Given the state of the economy, this is perhaps not the most helpful time for a leadership transition.

Having said all this, looking at individual stocks in the portfolio, it is difficult to feel completely gloomy. Three of the positions were bid for last year at hefty premia; which encourages us to believe that good value will eventually be recognised. 40% of the holdings (by value) have yields of over 5%; 35% by value is on single digit multiples for next year; the weighted average price to book of the portfolio is 1.4x and it is on 1.65x EV/sales. If the four telecoms companies are excluded, the price-to-book ratio drops to 0.9x. Forecasts could be wrong, but 90% of the companies in the portfolio are expected to show earnings growth over the next financial year; those that are not are expected to maintain earnings.

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
Advanced Info Service	2.9
Korea Electric Power	2.9
China Mobile	2.9
Newcrest Mining	2.7
Esprit	2.5
Overseas Union Enterprise	2.4
Commercial Bank Of Ceylon	2.3
LPN Development	2.1
M1	2.1
Singapore Press	1.9

Source: Ruffer LLP

Fund information

Investment adviser Ruffer LLP

ACD Capita Financial Managers Limited

Depository 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 only

IMA classification Specialist Fund



MARY McBain Investment Director – Asia

After graduating from Oxford University in 1985, started work at Invesco MIM as a fund manager on the Asian team. After leaving Invesco in 1990, she spent many years living and working in Asia, for GK Goh Securities, Apollo Investment Management and Ballingal Investment Advisors. She joined Ruffer in 2006 and manages the CF Ruffer Pacific 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 £148.1m (30 Dec 2011)

No. of holdings 50 equities (30 Dec 2011)

Minimum investment £1,000

Benchmark MSCI Asia Pacific Index
(performance comparator)

Distribution yield 0.83%

Total Expense Ratio 1.59%

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 GB0034035328 (acc)

Sedol Number 3403532 (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%