



CF RUFFER TOTAL RETURN FUND

Positive absolute returns with low volatility

DECEMBER 2011

ISSUE 107

Share price as at 30 Dec 2011

'O' accumulation shares

326.52p

Share price as at 30 Dec 2011

'O' income shares

243.72p

Launch price as at 29 Sep 2000

100.00p

Percentage growth

31 Dec 2010 – 30 Dec 2011	0.9%
31 Dec 2009 – 31 Dec 2010	13.6%
31 Dec 2008 – 31 Dec 2009	10.8%
31 Dec 2007 – 31 Dec 2008	20.8%
29 Dec 2006 – 31 Dec 2007	5.6%

Source: Ruffer LLP

Sector ranking*

(Mixed investment 20–60% shares)

Position/No. of funds

1 year	31/161
3 years	24/119
5 years	1/78

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 and Income

Distribution yield 2.14%

Total Expense Ratio 1.54%

Benchmark (performance comparator) FTSE All-Share FTSE Govt All-Stocks

IMA classification* Mixed investment 20%-60% shares

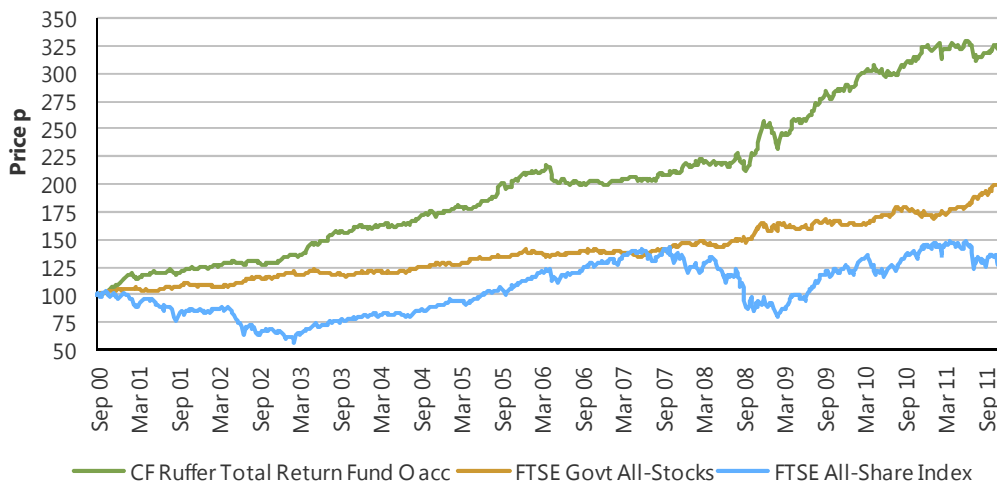
* Sector renamed by IMA on 1 Jan 2012

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 achieve low volatility, positive returns from an actively managed portfolio of different asset classes, including equities, bonds and currencies. Pervading this objective is a fundamental philosophy of capital preservation.

Performance since inception



CF Ruffer Total Return Fund O acc FTSE Govt All-Stocks FTSE All-Share Index

Monthly review

Source: Ruffer LLP

During December the fund price rose by 0.5%. This compared with a rise of 0.8% in the FTSE All-Share Index and a 1.7% rise in the FTSE All-Stocks Index (both figures total returns in sterling). Currency exposure at the end of the month was around 57% in sterling and 29% in the US dollar.

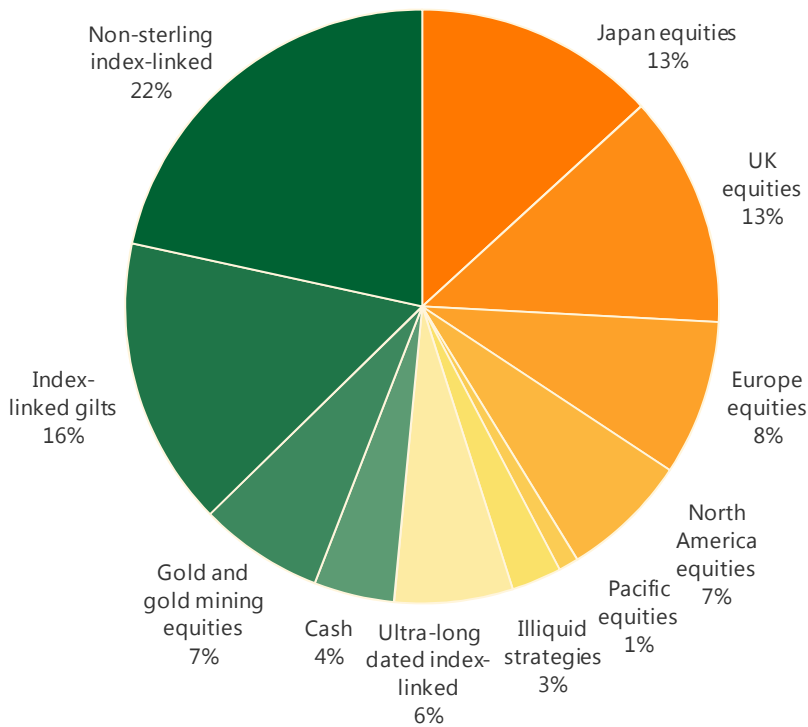
The end of a year is as appropriate time as any to sit back and take stock. As we end 2011 it is clear that many of the world's most difficult economic questions are far from being answered. Despite endless summits the eurozone sovereign debt crisis is still far from solved. While the European Central Bank ('ECB') has finally and belatedly begun to cut interest rates, bringing about a helpful depreciation in the euro, and the recent provision of €489bn of long-term liquidity to the eurozone banking system has staved off the immediate possibility of a catastrophe in commercial bank funding, little has been done to alleviate the intertwined issues of sovereign and bank solvency and the restoration of economic growth. Deleveraging by eurozone banks, with unhelpful effects on both the eurozone economy and economies further afield, remains firmly on the cards.

In a year when the fund price broadly held steady, what went right for us? The portfolio's holdings in index linked bonds made good money, albeit more for their 'bond' than 'inflation' characteristics, and our western equity selection largely avoided the worst areas. Our dollar exposure, a negative during the early part of the year, became more helpful as the year progressed, especially during September. Our studied avoidance of emerging markets, in the face of a fairly strong consensus facing the other way, also paid off, as concerns grew about the sustainability of the Chinese boom, and the Indian market, amongst others, showed the downside of overheating. On the negative side this latter view was vitiated to some degree by our stubborn faith in a reflationary shift in Japanese policy, as well as a few post-Fukushima dents, and in hindsight we were wrong to hold the bulk of the portfolio's gold exposure in mining shares, which managed a sizeable disconnection from the generally rising bullion price.

December generally saw a continuation of the recent low levels of activity in the fund. We topped up some equity positions which had shown weakness, for example Invensys, and re-entered the Japanese REIT sector, where dividend yields in excess of 6% are on offer. While the global quoted corporate sector remains largely in financial rude health, two less discussed factors are, we believe, well worth keeping in mind. Firstly the much referred-to valuation support for world equities is less noteworthy when one considers that profit margins and profit share are at multi-year highs and at risk of mean-reverting, and secondly if corporate spending continues to exhibit subdued levels of growth we do wonder whether, and possibly when, cash-strapped governments will cast covetous eyes at corporate cash piles, and bring to an end the 'race to the bottom' in corporate tax rates witnessed in recent years.

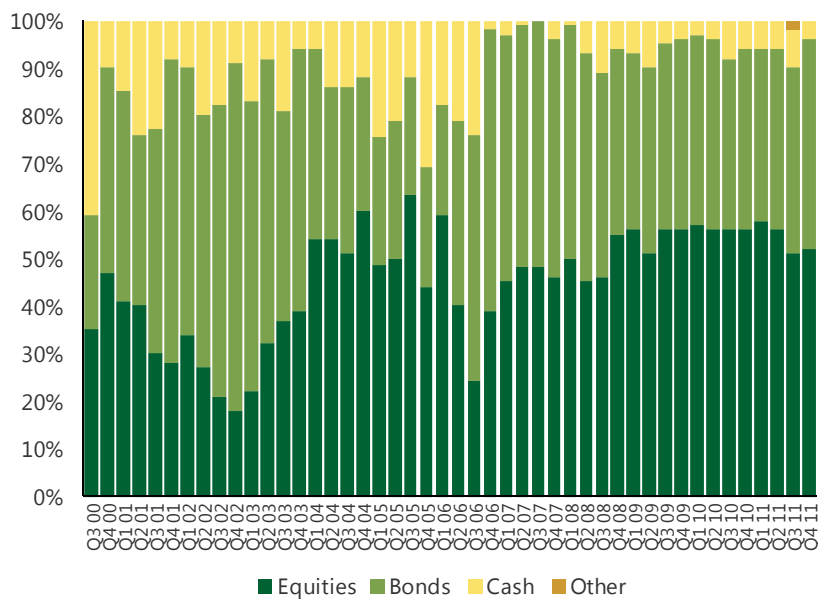
For what it is worth we think the recent better trend in the US economy will continue, that the UK economy will eke out some measure of growth this year, and that the eurozone will more likely experience a mild recession rather than a slump. For us the much more trying features of the present investment climate are the egregious price of safety and the shortage of uncorrelated and unfashionable assets to use as offsets. Our positive view on the US dollar, which travelled a bumpy road in 2011, based as it was on our perception of the US currency as an offset to risk assets such as commodities and equities, could easily become a consensual position if economic optimism on the US grows and the recent flight from the euro gathers pace. Our strategy of holding a substantial portion of our equity exposure in megacap, high-yielding 'nifty fifty' stocks has after all already gone from scoring one out of ten for originality to zero. Most crucially though our index-linked bonds have undeniably moved into the unreasonably expensive category after the moves of last year. Should we therefore be banking our profits? Not in a world where the overarching consequence of the crisis is that debt has increasingly been transferred to the government sector, and as a result the outcome of inflationary default via currency compromise comes ever closer.

Portfolio structure as at 30 Dec 2011



Source: Ruffer LLP

Asset allocation



Five largest equity holdings as at 30 Dec 2011

Stock	% of fund
Vodafone	2.2
T&D Holdings	2.0
Nippon Telegraph & Telephone	2.0
BP	2.0
Ericsson	1.7

Source: Ruffer LLP

Five largest bond holdings as at 30 Dec 2011

Stock	% of fund
UK Treasury index-linked 1.25% 2017	9.0
US TIPS 1.25% 2020	6.5
UK Treasury index-linked 2.5% 2016	6.5
US TIPS 1.375% 2018	4.9
UK Treasury index-linked 1.25% 2055	4.7

Source: Ruffer LLP

Fund information

Fund size	£2,334.8m (30 Dec 2011)
No. of holdings	92 equities, 11 bonds (30 Dec 2011)
Minimum investment	£1,000
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: GB0009684100 (acc) GB0009684878 (inc)

Sedol Number **O class:** 0968410 (acc) 0968487 (inc)

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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.



STEVE RUSSELL
Investment Director

Started as a research analyst at SLC Asset Management in 1987, where he became Head of Equities in charge of £5bn of equity funds. In 1999 moved to HSBC Investment Bank as Head of UK and European Equity Strategy, before joining Ruffer in September 2003. Became a non-executive director of JPMorgan European Investment Trust in 2005 and is co-manager of the CF Ruffer Total Return Fund.



DAVID BALLANCE
Investment Director

Previously International Equities Head at Rothschild Private Management, prior to which he was European Equities Head at Rothschild Asset Management. Graduated from Oxford and worked for Allied Dunbar Asset Management as Senior Investment Manager before moving to Threadneedle Investment Managers Ltd as Head of European Equities. Joined Ruffer in 2006 and is co-manager of the CF Ruffer Total Return Fund.