



CF RUFFER BAKER STEEL GOLD FUND

Achieving capital growth by investing principally in gold and precious metal related companies

MAY 2009

ISSUE 67

Share price as at 29 May 2009

Accumulation shares

169.32p

Launch price as at 1 Oct 2003

100.00p

Percentage growth to 31 Mar 2009

31 Mar 2008 – 31 Mar 2009 -22.8%

31 Mar 2007 – 31 Mar 2008 +14.7%

31 Mar 2006 – 31 Mar 2007 -10.9%

31 Mar 2005 – 31 Mar 2006 +88.3%

31 Mar 2004 – 31 Mar 2005 -5.6%

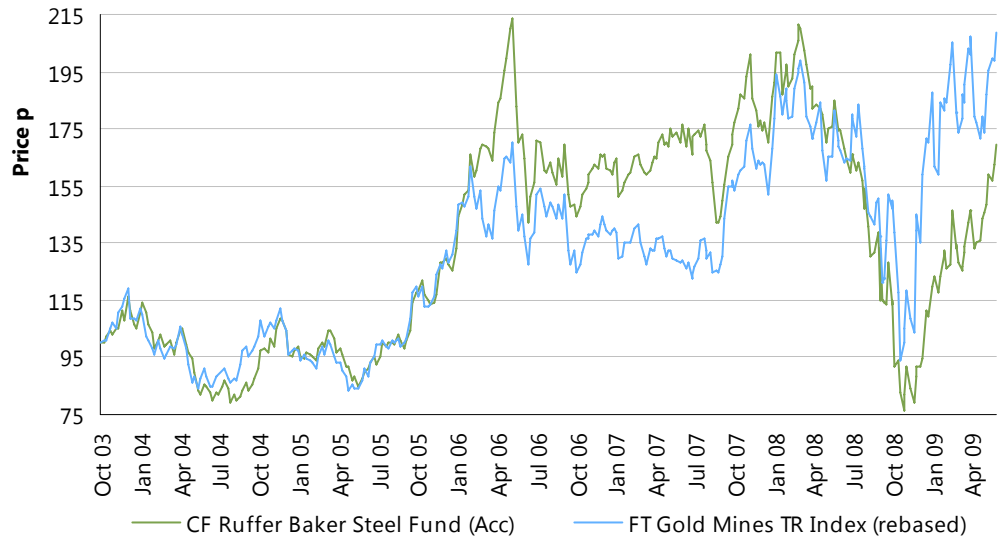
Source: Ruffer LLP

Investment adviser	Ruffer LLP
Sub-advisor	Baker Steel Capital Managers LLP
ACD	Capita Financial Managers Limited
Depository	The Bank of New York Trust & Depository Company 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
Benchmark (performance comparator)	FTSE Gold Mines Index Total Return (£)

Investment objective

The Fund aims to achieve capital growth over the long term by investing principally in gold and precious metal related companies within the mining industry.

Performance since inception



Source: Ruffer LLP

Monthly review

At US\$979.15/oz, gold made a new all time high as measured by its monthly close. This was a jump of 10.2% (US\$) for the month, principally a result of weakness in the US dollar. Gold shares responded well, with the FTSE Gold Mines Total Return Index (£) rallying 19.9% in sterling terms. The Fund is up 16.4% for the month. Year to date the Fund has risen 41% versus the FTSE Gold Mines Total Return Index which is up 11%.

Of major interest this month: Brazil and China announced that they are working towards bypassing the US dollar in bi-lateral trade transactions, challenging the status of the greenback as the world's leading international currency. 'We don't need dollars,' said Brazilian President Silva. 'It's crazy that the dollar is the reference, and that you give a single country the power to print that currency.' (*Bloomberg, 15 May 2009*).

Interest yields on 10-year US Treasuries – the benchmark price of long-term credit for the global system – rose to 3.46% on contagion effects after Standard & Poor's issued a warning on Britain's 'AAA' credit rating. Yields have risen over 90 basis points since March when the US Fed first announced its controversial plan to buy Treasury bonds directly, a move designed to force down borrowing costs and help stabilise the housing market. As one commentator summed up, 'If the US loses control of long rates, they will not be able to arrest asset price declines. If they print too much money, they will debase the dollar and cause stagflation.' (*Daily Telegraph, 24 May 2009*).

It is not surprising then that investment demand for gold is surging and the price looks set to break convincingly through a thousand dollars per ounce in the next few months.

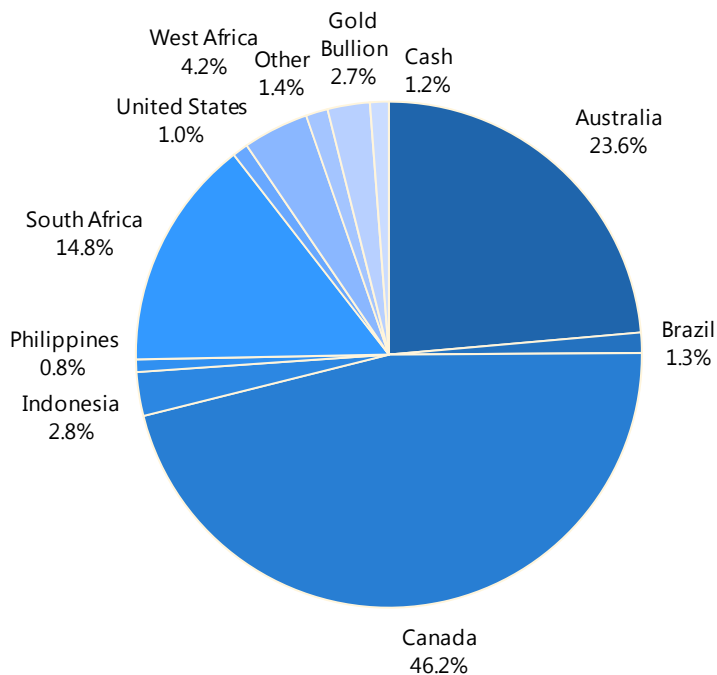
Some gold equities are starting to discount this possibility, although most aren't. There are many bargains out there and it is fair to say that much

of our recent performance is attributable to the appreciation of undervalued emerging producers. This month we attended the Merrill Lynch Global Mining Conference and visited mines in South Africa. We have built up positions in some of the new, shallower reef gold mines in the Witwatersrand Basin, which in our opinion will have a significant cost advantage over their peers. Great Basin is a case in point. In our view, the market price of Great Basin is covered by its producing high-grade Nevada gold mine, so its fully financed Burnstone project, with the potential to produce 240,000ozpa, effectively comes for free. In West Africa, Resolute which is forecast to produce close to 400,000ozpa this year has a market cap of only £130m compared to Randgold Resources that will produce little more gold but has a market cap of £3.4bn.

A number of deep value stocks performed this month. Archipelago shares began to move after a recent drilling announcement reignited the market's interest in this high-value asset. Moto Goldmines (+59%) had a very strong run late in the month and has since announced an all share business combination with Red Back Mining at a 40% premium to the 20-day volume-weighted average price. We have had long-term conviction on the very high quality of Moto's asset base despite the northern DRC location and will now wait to see if there will be a competing bid for the company. Australasian focussed Oceana Gold (+48%), Northgate Minerals (+56%) and Allied Gold (+41%) all contributed significantly to the Fund's performance.

The junior and intermediate producers are still trading at values less than the cost to develop many projects held by larger capitalised companies. This situation will not last; mines that are producing and benefiting from today's gold price should command a premium. We believe many of the Fund's holdings have a long way to go in this re-rating.

Portfolio structure as at 29 May 2009



Source: Ruffer LLP

Ruffer LLP

Ruffer LLP looks after investments on a discretionary basis for private clients, their trusts and pension funds. It also manages portfolios for small and medium sized corporate and charitable institutions. As at 29 May 2009, funds managed by the group exceeded £4.0bn, of which over £1.4bn was managed in open-ended Ruffer funds.

Baker Steel Capital Managers LLP

Baker Steel, a specialist natural resources fund manager established in 2001, has around US\$600m under management. The founders and managing partners, David Baker and Trevor Steel (Investment), have extensive experience and an award-winning performance record. The investment team is complemented by robust operational and systems infrastructure. Baker Steel has worldwide, 24 hour market coverage with offices in London and Sydney.



DAVID BAKER Fund Manager

Co-founded Baker Steel Capital Managers LLP (BSCM) in 2001. Previously a senior portfolio manager at Merrill Lynch Investment Managers (MLIM) specialising in the Natural Resources sector. He has a degree in mineral processing and a Masters in mineral production management (Imperial College).



TREVOR STEEL Fund Manager

Co-founded BSCM in 2001. Previously worked alongside David Baker for over nine years in building MLIM's Natural Resources team. He graduated from the Royal School of Mines in 1990.

Enquiries

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Ten largest holdings as at 29 May 2009

Stock	% of fund
Great Basin Gold	5.5
Centerra Gold	5.1
Resolute Mining	4.3
DRD Gold	3.9
Semafo	3.8
Gold Fields	3.6
Lihir Gold	3.4
Red Back Mining	3.3
Oceana Gold	3.2
Jaguar Mining	3.2

Source: Ruffer LLP

Fund information

Fund size	£219.4m (29 May 2009)		
No. of holdings	96 (29 May 2009)		
No. of companies invested in	74 (29 May 2009)		
Minimum investment	£1,000		
Distribution yield	0%		
Total Expense Ratio	1.95%		
Ex dividend dates	15 March, 15 September		
Pay dates	15 May, 15 November		
Capitalisation breakdown	% NAV	Size	Market cap
	11.6%	Large	\$5bn+
	18.7%	Mid	\$1-\$5bn
	69.7%	Small	\$0-\$1bn
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: GB0033628156		
Sedol Number	O class: 3362815		
Charges	Initial charge 5% Annual management charge O class 1.5%		