



# CF RUFFER EUROPEAN FUND

Providing capital growth by investing in a diversified pan-European portfolio

**MAY 2009**

ISSUE 68

**Share price as at 29 May 2009**

'O' accumulation shares

**292.94p**

**Launch price as at 5 Jun 2002**

**100.00p**

**Percentage growth to 31 Mar 2009**

31 Mar 2008 – 31 Mar 2009 -2.9%

31 Mar 2007 – 31 Mar 2008 21.4%

31 Mar 2006 – 31 Mar 2007 15.6%

31 Mar 2005 – 31 Mar 2006 32.2%

31 Mar 2004 – 31 Mar 2005 33.5%

Source: Ruffer LLP

**Sector ranking (Balanced Managed)**

Position/No. of funds

1 year 4/136

3 years 1/105

5 years 1/84

Source: Lipper, S&P

**Investment adviser** Ruffer 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

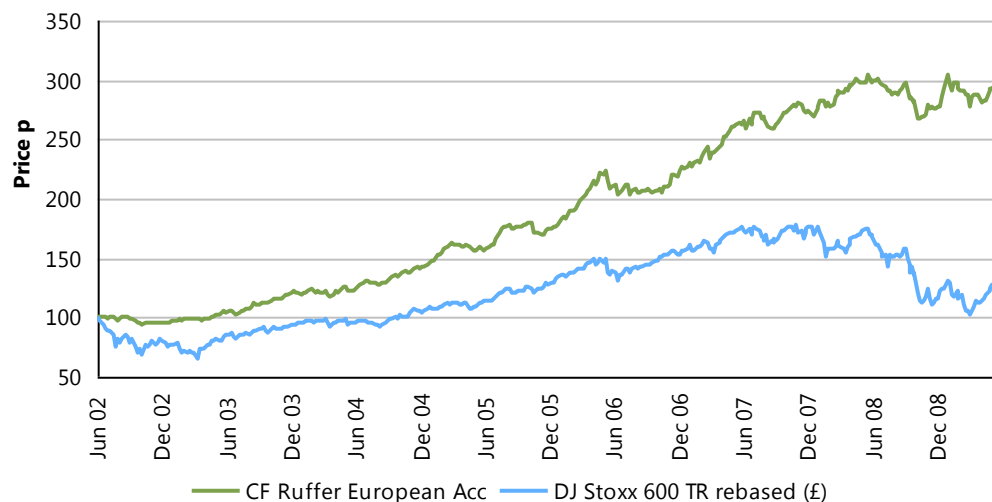
**Share classes** Accumulation

**IMA classification** Balanced Managed

## Investment objective

The Fund aims to provide capital growth by investing in a diversified pan-European portfolio of predominantly equities, though fixed income securities may also be utilised if the Investment Manager believes they will assist in meeting the overall objective of the Fund.

## Performance since inception



Source: Ruffer LLP

## Monthly review

During the month of May, the Fund's 'O' Accumulation units rose by 0.3%, from 292.1p to 292.9p. This compares to a 4.7% rise in the DJ Stoxx 600 index in Euro terms, and a 1.9% rise on a comparable, sterling-adjusted basis. The Fund's equity exposure increased from 47.0% at end April to 47.3% at end May, a composite of 46.4% (45.2%) of 'long' and 0.9% (1.8%) of 'short' equity exposure (put options). Our fixed interest weighting decreased from 22.4% to 17.7%. There were large underlying movements in our fixed interest investments on an intra-month basis: the Fund held its 14.0% weighting in the May 2009 Norwegian Sovereign issue through to redemption, but partially offset this with additions to our sterling index-linked positions. With 4.5% in gold bullion, the balancing cash position increased from 26.1% to 30.5%. The preceding snapshot is indicative of continued positive sentiment in European equity markets, juxtaposed against our own desire to carry the short-term pain of remaining comfortably hedged against the risk of a renewed correction in share prices.

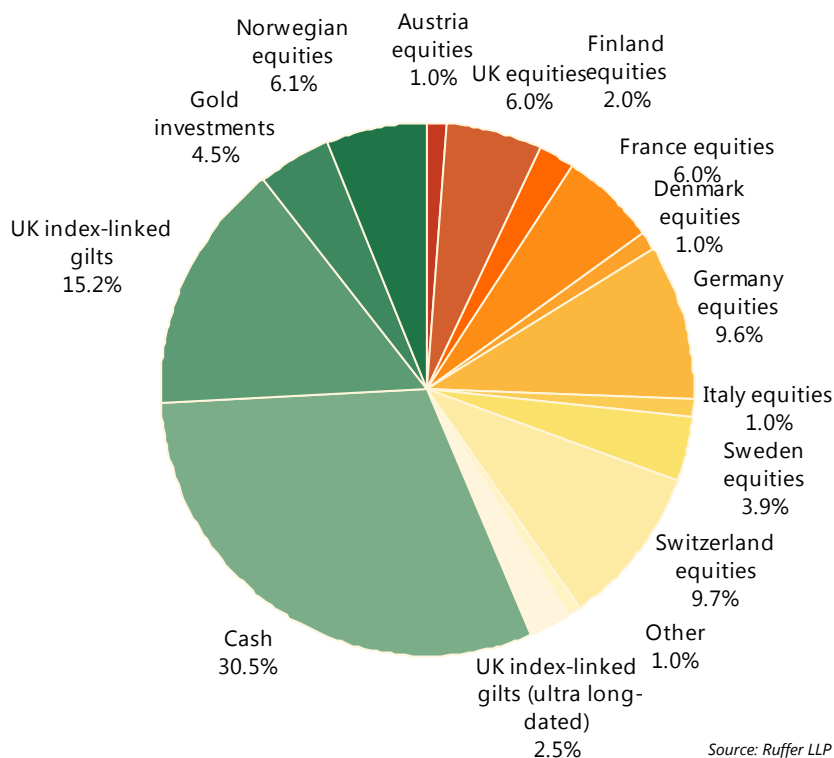
We managed the Fund as a self-designated 'stock picking' fund for most of its life, before switching to a clear asset allocation bias with the onset of the sub-prime crisis. The discipline inherent in the latter approach stood us in good stead over the last twelve months of stomach-churning volatility in equity markets, but never came at the expense of our policy of maintaining regular contact with as much of the European equity universe as humanly possible. If anything, May was a month of even more extensive company contact than usual, as we sought to cross-check the logic of the ongoing equity rally. In doing so, we are mindful of the

fact that companies' own earnings expectations going into the sub-prime crisis generally gave a very false reading. Nonetheless, we feel that we need to kick as many proverbial tyres as possible in order to help us map our way through the maze of new realities with which fund managers now need to familiarise themselves.

One of the new realities is the degree to which national governments have been stepping up to the market with massive infrastructure investment programmes in an attempt to counterbalance a sharp decline in the consumer spending and corporate investment components of GDP. Taking a global snapshot, many of the potential beneficiaries are expecting the Chinese stimulus package to yield results as soon as the second half of 2009 (admittedly still on a modest scale), reflecting the country's fast lead times for decision making. In clear contrast is North America, where the second half of 2010 is seen as a much more realistic time scale for the government's wall of (printed) money to actually find its way through into increased infrastructure spending. There is a clear possibility that battle-scarred managements are 'low -balling' the possible impact of these investment programmes. Nonetheless, given this uncertainty on the timing front, we are currently screening for names with strong balance sheets and self-help initiatives to see them through another few months or – bulls beware – another few years of anaemic end markets.

One of the companies we visited recently came up with the adage of never wasting a good crisis. As sound bites go, this is pretty hard to fault, and we hope the European Fund will be successful in its efforts to pick beneficiaries of the current crisis and avoid its victims.

## Portfolio structure as at 29 May 2009

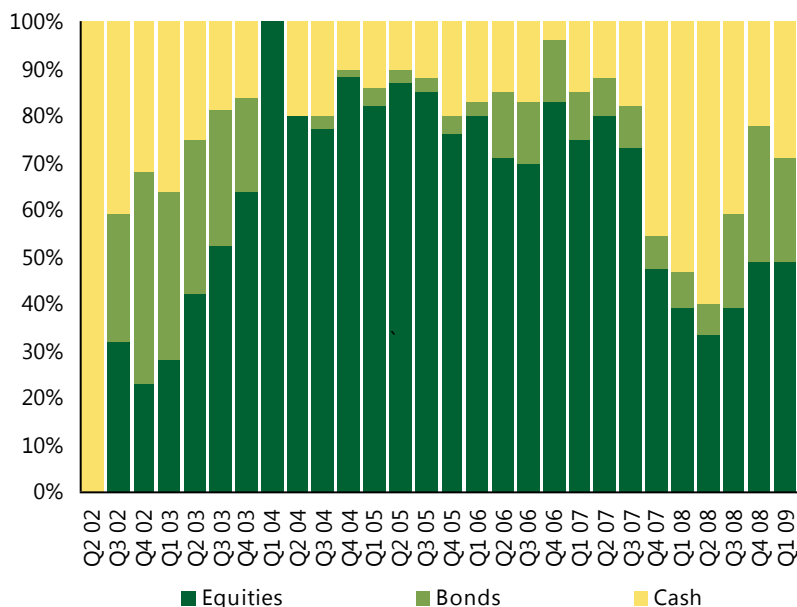


## Ten largest holdings as at 29 May 2009

Stock	% of fund
UK Treasury index-linked 2.5% 2020	8.1
UK Treasury index-linked 1.25% 2017	5.2
Gold Bullion Securities Ltd	4.5
Carrefour SA	3.3
K+S	3.2
Acino Holding	2.7
Statoilhydro	2.6
BP plc	2.6
UK Treasury index-linked 1.25% 2055	2.5
Rheinmetall	2.2

Source: Ruffer LLP

## Asset allocation



## Fund information

<b>Fund size</b>	£117.67m (29 May 2009)
<b>No. of holdings</b>	56 equities, 4 bonds (29 May 2009)
<b>Minimum investment</b>	£1,000
<b>Benchmark</b> (performance comparator)	Dow Jones Stoxx Index
<b>Dealing</b>	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
<b>Dealing line</b>	0845 601 9610
<b>ISIN Number</b>	<b>O class:</b> GB0031678161
<b>Sedol Number</b>	<b>O class:</b> 3167816
<b>Distribution yield</b>	1.6%
<b>Total Expense Ratio</b>	1.61%
<b>Ex dividend dates</b>	15 March, 15 September
<b>Pay dates</b>	15 May, 15 November
<b>Charges</b>	Initial charge 5% Annual management charge O class 1.5%
<b>Enquiries</b>	Alexander Bruce Tel 020 7963 8215 Fax 020 7963 8175 abrauce@ruffer.co.uk www.ruffer.co.uk



### TIMOTHY YOUNGMAN Research Director – Europe

Moved into European equity research in 1985, after a period with McKinsey & Co and at Manchester Business School. He moved from Savory Milln to S.G. Warburg in 1988, and then to an independent research boutique in 1999, before joining Ruffer in January 2003. Manages the CF Ruffer European Fund.

## Ruffer LLP

Ruffer LLP manages 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.