CF Ruffer Equity & General Fund

An actively-managed fund emphasising absolute growth with diversity of risk

MAY 2009

ISSUE 78

Share price as at 29 May 2009
'O' accumulation shares
217.57p

Share price as at 29 May 2009
'O' income shares
205.34p

Launch price as at 1 Dec 1999
100.00p

Percentage growth to 31 Mar 2009

31 Mar 2008 – 31 Mar 2009	-2.6%
31 Mar 2007 – 31 Mar 2008	4.7%
31 Mar 2006 – 31 Mar 2007	-9.4%
31 Mar 2005 – 31 Mar 2006	28.4%
31 Mar 2004 – 31 Mar 2005	1.3%

Source: Ruffer LLP

Sector ranking (Active Managed)

	Position/No. of funds
1 year	2/108
3 years	5/82
5 years	7/68

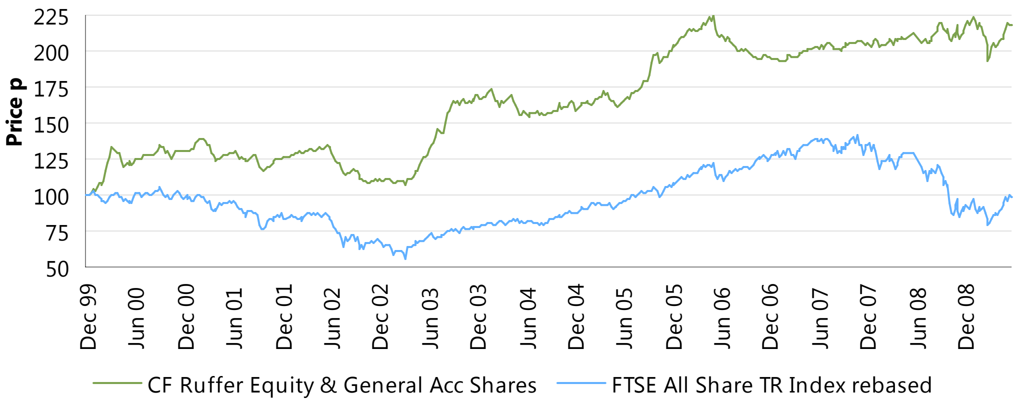
Source: Lipper, S&P

Investment adviser	Ruffer LLP
ACD	Capita Financial Managers Limited
Depositary	The Bank of New York Trust & Depositary 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 and Income
Distribution yield	1.16%
Total Expense Ratio	1.59%

Investment objective

The Fund aims to provide capital growth by investing in a diversified global portfolio of predominantly equities. The Fund is actively managed, and is not constrained by any requirement to track indices or conform to investment fashion.

Performance since inception



Source: Ruffer LLP

Monthly review

The Fund's performance during May rose 3.2% vs. the FTSE All-Share which rose 4.2%. As the equity weighing of Ruffer Equity and General (REG) increased this year the exposure to non-sterling currencies has also increased. Currently 63% of REG's assets are valued in sterling. The main foreign currencies are the US dollar (20%) and the Japanese Yen (10%). In 2009 the strength of the British Pound has been a drag on performance.

During May, I spent a considerable amount of time travelling in the USA monitoring the portfolio and aiming to identify new investment opportunities. The key characteristic of last quarter's reporting has been better than expected earnings. In general, American companies are good in cutting costs. In addition, in my view, American companies are currently reaping the benefits of the restructuring of their operations after the 2000-2002 downturn. During the last few years most US companies engaged in more flexible manufacturing, outsourcing and in general reduction of fixed costs. Hence, during the current unprecedented downturn in terms of volumes, many businesses managed to respond quickly reducing the variable element of their cost structure. For example, a company such as Parker-Hannifin which experienced volume declines in 2001-2002 of c.15% managed to achieve better margins during this downturn with volumes dropping 35%. During 2003-2008 the cost structure of the business migrated to a more variable base. Hence, when recently volumes collapsed it was relatively easy to respond quickly to the new environment by mainly cutting variable expenses. As demand comes back probably in a volatile manner (e.g. abrupt de-stocking leading to a technical bounce of inventories), the ability of US companies to calibrate costs quickly in order to match the levels of demand will prove to be a competitive advantage.

As briefly discussed at the Wesco Financial annual meeting run by Charlie Munger, the USA is characterised by the drive to grow and make money. Its inhabitants come from different nations and no long term history unites them. A few years of 'cleansing the system' under a severe recession scenario (e.g. Asia in 1998) could potentially lead to a socially challenged country that could even disintegrate. Hence, the authorities engaged in the greatest monetary and fiscal stimulus in the US history. The probable outcomes are likely to be a US economy growing at low rates in the next few years and the emergence of inflation. The real beneficiaries of the crisis (at least in relative terms) are likely to be the less developed, well capitalised emerging markets. Assuming the US system is sustained, the very much discussed 'de-coupling' has, in my view, more chances to materialise than ever. The US multinationals see little potential in further 'trading up' in the saturated US and EU economies and move with full speed expanding in emerging markets. The well-run Procter & Gamble is a good example, it recently reduced its guidance because of lack of growth in the USA and expects next year to be a year of investment in emerging markets.

A beneficiary of the evolution of the emerging world and the slow moving West is likely to be the price of oil. In my view, unless new technologies are found in the short term, oil will be characterised by scarcity and will also act as a real hedge against inflation. Oil and gas assets are approximately 10% of REG's portfolio. Companies such as ConocoPhillips and Canadian Natural Resources will benefit significantly from higher oil prices.

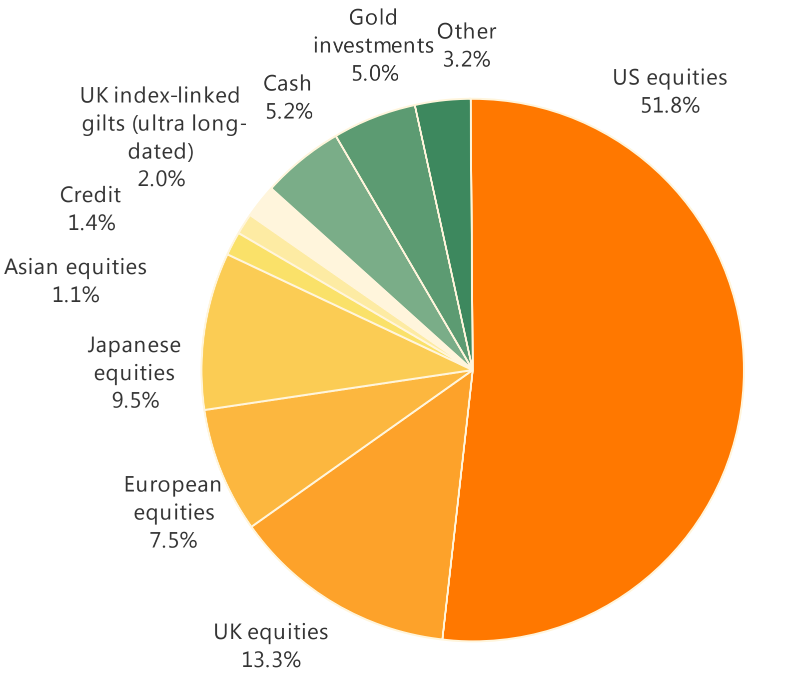
We have increased further REG's shareholding in Kraft; Irene Rosenfeld is doing a very good job restructuring the business, gradually increasing its operating margins; in addition Kraft's products are popular among US consumers looking for value during this recession.

We also initiated a position in Thermo Fisher. This is a great business characterised by solid cash generation, good management and a reasonable valuation. Approximately half of the business relates to consumables, almost a recurring revenue. The remainder involves diagnostic equipment used in labs in academia, research on renewables, pharma/biotech and energy.

Finally, we increased our small exposure to the UK consumer adding to Booker and initiating a position in Home Retail. Booker is run by very good management; we back Charles Wilson to grow the food wholesaler. Regarding Home Retail, it is well run and characterised by low expectations and limited downside.

REG's portfolio seems very diversified but it is currently structured as a triangle. At the top it contains large positions of large companies which we think are undervalued and are characterised by long term growth. Going down the chain a large number of small holdings involve small caps or initial positions which we aim to gradually increase.

Portfolio structure as at 29 May 2009



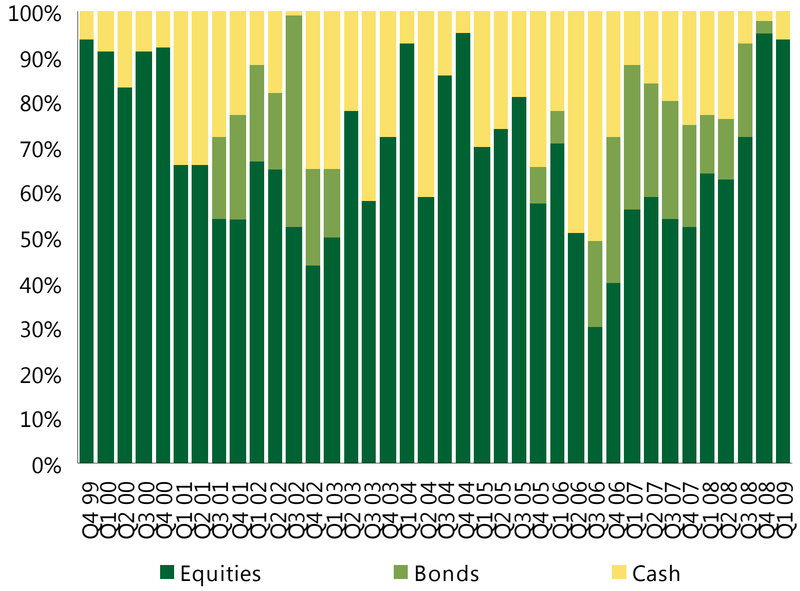
Source: Ruffer LLP

Ten largest holdings as at 29 May 2009

Stock	% of fund
Kraft Foods	8.8
Berkshire Hathaway Inc	5.7
Phillip Morris International	3.8
Johnson & Johnson	3.3
Ultrashort S&P500 Proshares	3.2
Medtronic Inc	3.2
Gold Bullion Securities Ltd	2.8
BT Group Plc	2.5
Burlington Northern Santa Fe	2.4
Walgreen Co	2.4

Source: Ruffer LLP

Asset allocation



ALEX GRISPOS Investment Director
Graduated from Imperial College with a First Class degree in Mechanical Engineering, started in equity research in 1998 at Alpha Trust in Greece, then worked in venture capital for six years. Joined Top Technology Ventures in the UK, and subsequently became Investment Manager with RTF based in London and St. Petersburg, Russia. Joined Ruffer in 2005 and is manager of the CF Ruffer Equity and General 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.

Fund information

Fund size	£94.5m (29 May 2009)
No. of holdings	108 equities, 1 bond (29 May 2009)
Minimum investment	£1,000
IMA classification	Active Managed
Benchmark *(performance comparator)*	FTSE All Share Index
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**: GB0009346718 (acc) GB0009340802 (inc)
Sedol Number	**O class**: 0934671 (acc) 0934080 (inc)
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