

CF Ruffer European Fund

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

Monthly review

During March, the fund's O accumulation shares decreased by 0.1% from 497.04p to 496.59p. This compares to a 3.3% increase in the STOXX Europe 600 in euro terms and a 3.6% increase on a comparable, sterling-adjusted basis. The fund's equity exposure was 74.0% at the end of March; with 0.4% of that figure in index put options, the underlying 'long' equity exposure was 73.6%. At the end of February, the headline figure was 75.7%, with 1.8% in index put options.

As a team, we have always welcomed the flexibility of being able to invest on a pan-European basis, and geographical weightings evolved as a function of the respective level of attraction that we found in individual countries and, to an extent, currencies, across the region. If our research efforts identified lots of equity truffles in one specific country, we generally ended up with a big basket of those truffles in the portfolio. Readers might be asking themselves 'dog or pig?' at this point, which is arguably a fair price to pay to avoid being branded a 'closet' index tracker fund. This excursion gives us a reasonable pretext to address the current 'elephant in the room' – at the risk of ending up with a menagerie – which is the Brexit debate.

Over the years, the juiciest and biggest harvests of truffles were found, in no particular order, in Switzerland, Sweden, Germany and the UK. In contrast to Sweden, Switzerland is not part of the European Union, but both have their own discrete currencies. To our mind, a key unifying feature is that both countries have very small (sub ten million) populations in contrast to the likes of France or Germany, and their companies have always had to look to international markets for growth. Sweden's long-term ability to grow a host of what are now multinational companies has arguably been second to none, helped by the ownership stability and strategic direction provided by the Wallenbergs and other industrialist investor families. Switzerland, too, has an impressive track record, epitomised in our fund (pace Novartis, Roche et al) by three entrepreneurs who left their Alpine valleys to set sail for the Far East in the 1860s, thereby creating the foundations for DKSH's current position as a leading player in market expansion services in the region. It is fair to say that our investment successes in Germany owe(d) a lot to the combination of cyclical and self-help tailwinds in that market in the first decade of the new millennium, reinforced by the country's de facto position as preferred supplier of capital goods to China during the golden years of its industrialisation boom. Finally, there was a degree of 'seek and ye shall find' in our approach to UK equities, where the need to escape Europe and the euro during the credit crisis led us to a rich stream of entrepreneurial companies that are now providing handsome returns. More importantly, they should continue to do so regardless of the UK's referendum on EU membership, built as they are on innovative business propositions and technologies defended by strong intellectual property rights.

In summary, it is fair to state that the pattern of our returns has shown no pronounced euro-centricity, and little evidence of the need to be a big cog in the big EU wheel. In many respects, it has paid us to focus our investments on 'challengers' with entrepreneurial management teams fighting to grow beyond the limitations of a small domestic market (cf Sweden) or to overcome the ever-present headwind of a strong currency (cf Switzerland). From that point of view, the referendum debate introduces short-term uncertainty and, with it, the prospect of continued currency volatility; however, it is worth clarifying that none of our investments are a pure binary play on its outcome.

Having pursued the frequently lonely strategy – in a Ruffer context – of screening for equities that are opportunities to be invested in rather than perceived risks automatically requiring offsets, the author/manager of the European Fund has nurtured it from an NAV of 99p in 2003 to +/- 500p at the



end of March 2016. The time is now right for the author/manager to step back, leaving the fund in the extremely capable hands of Claire Titmarsh and Simon Mountain, with their many years of relevant experience as co-managers. With the benefits of my own 30+ years in European equities continuing to be at their disposal, they are eminently placed to continue building on the fund's track record. Returning to the original menagerie analogy, this is in no way intended to be a swan-song, and it has always been quite a lark.

Tim Youngman

Performance since launch on 5 Jun 02



| Performance % | March 2016 | Year to date | 1 year | 3 years | 5 years | 10 years |
|---------------------------|------------|--------------|--------|---------|---------|----------|
| O accumulation shares | -0.1 | 0.0 | -0.5 | 16.0 | 27.5 | 135.3 |
| Percentage growth (O acc) | | % | | | | |
| 31 Mar 2015 – 31 Mar 2016 | | -0.5 | | | | |
| 31 Mar 2014 – 31 Mar 2015 | | 0.4 | | | | |
| 31 Mar 2013 – 31 Mar 2014 | | 16.1 | | | | |
| 31 Mar 2012 – 31 Mar 2013 | | 13.0 | | | | |
| 31 Mar 2011 – 31 Mar 2012 | | -2.7 | | | | |

Source: Ruffer LLP

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. The fund's prospectus and key investor information documents are provided in English and available on request or from www.ruffer.co.uk. Please note that CF Ruffer Investment Funds is a UK UCITS. The CF Ruffer European Fund is not registered for distribution in any country other than the UK.

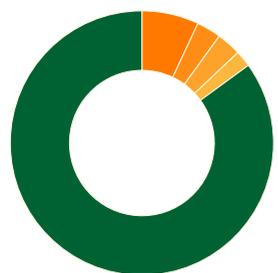
| Share price as at 31 March 2016 | p |
|---------------------------------|--------|
| O accumulation | 496.59 |
| C accumulation | 502.03 |

CF Ruffer European Fund as at 31 March 2016

Portfolio structure



| Asset allocation | % | | % |
|-----------------------|----|-------------|----|
| UK index-linked gilts | 20 | UK | 26 |
| Cash | 4 | Germany | 15 |
| Gold | 3 | Sweden | 12 |
| | | France | 10 |
| | | Switzerland | 6 |
| | | Norway | 2 |
| | | Spain | 1 |
| | | Italy | 1 |



| Currency allocation | % |
|---------------------|----|
| Sterling | 85 |
| Swiss franc | 7 |
| US dollar | 3 |
| Euro | 3 |
| Norwegian krone | 2 |

10 largest holdings (3 bonds and 62 equities)

| Stock | % of fund | Stock | % of fund |
|---------------------------------------|-----------|-------------------|-----------|
| UK Treasury index-linked 0.125% 2024 | 7.4 | Loomis | 4.0 |
| UK Treasury index-linked 1.1875% 2022 | 7.2 | IP Group | 4.0 |
| UK Treasury index-linked 0.125% 2019 | 5.2 | Svenska Cellulosa | 3.5 |
| Aurelius | 5.0 | Emmi | 3.4 |
| ORPEA | 4.4 | 4d pharma | 3.0 |

Source: Ruffer LLP

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The information contained in this document does not constitute investment advice and should not be used as the basis of any investment decision. References to specific securities are included for the purposes of illustration only and should not be construed as a recommendation to buy or sell these securities. Ruffer LLP has not considered the suitability of this fund against any specific investor's needs and/or risk tolerance. If you are in any doubt, please speak to your financial adviser.

The fund data displayed is designed only to provide summary information and the report does not explain the risks involved in investing in the fund. Any decision to invest must be based solely on the information contained in the Prospectus, Key Investor Information Document and the latest report and accounts.

Fund size £243.7m

Fund information

| % | O class | C class |
|--------------------------|---|-------------------------|
| Ongoing Charges Figure | 1.57 | 1.27 |
| Annual management charge | 1.50 | 1.20 |
| Maximum initial charge | 5.0 | 5.0 |
| Yield | 0.00 | 0.26 |
| Minimum investment | £1,000 | |
| Ex dividend dates | 15 Mar, 15 Sep | |
| Pay dates | 15 May, 15 Nov | |
| 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 | |
| ISIN | O class GB0031678161 | C class GB00B84JVJ48 |
| SEDOL | 3167816 | B84JVJ4 |
| 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 Eligible for ISAs | |

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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.

Fund Manager

Timothy Youngman INVESTMENT DIRECTOR

Moved into European equity research in 1985, after a period with McKinsey & Co and at Manchester Business School. He moved from Savory Mill to SG Warburg in 1988, then to an independent research boutique in 1999, before joining Ruffer in 2003.



Ruffer LLP

Ruffer LLP manages investments on a discretionary basis for private clients, trusts, charities and pension funds. As at 31 March 2016, assets managed by the Ruffer Group exceeded £18.0bn, of which over £9.2bn was managed in open-ended Ruffer funds.

Dealing line

0345 601 9610

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