

CF Ruffer European Fund

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

During December, the fund's O accumulation shares increased by 2.7% from 499.73p to 513.18p. This compares to a 5.2% increase in the STOXX Europe 600 in euro terms and a 5.3% increase on a comparable, sterling-adjusted basis. The fund's gross equity exposure was 81.4% at the end of December, with zero in index put options. At the end of November, the gross figure was 78.7%, with 0.6% in index put options.

2016 will be remembered for Brexit and Trump: two unexpected and defining political results. From the perspective of financial markets however 2016 may well turn out to be the year the bond market bubble burst – having been given a large puff by Brexit (a perceived deflationary force) it was pricked by Trump's victory and the expectation that (at least) nominal growth and inflation will return. What did not occur in 2016 was a Chinese hard landing. It's now forgotten, but slowing Chinese growth was a major concern at the start of last year: stock market crashes and circuit breaker suspensions in the Far East combined with a decade low oil price dragged down Western indices into bear territory, core European inflation printed negative and markets feared the world could be spiralling into a deflationary vortex. What a difference a year makes.

In that context the performance of the fund was mercifully dull throughout the year: flat in the first quarter as the market crashed; flat in the second before the Brexit storm; up in the third as the index linked bonds performed strongly post Brexit and down a touch in the fourth as the market rotated out of quality into cyclicals. Breaking down the performance into constituent parts shows that in local currency terms our stocks were up a healthy mid-single digit percentage with the high cost of put option protection significantly diluting the fund's overall return. In terms of currencies our decision to hedge the euro meant the fund didn't benefit from sterling's relative weakness – whilst in 2016 that was a painful decision, as we have written previously, we remain concerned the euro is structurally flawed and therefore likely to weaken in the long run.

Analysing the performance of individual stocks, it's pleasing to see strong returns from both core long-term holdings and new positions initiated during the year. The largest absolute contributors were Biogaia, Aurelius and Emmi. The accolade of highest percentage return goes to Siltronic which tripled since we bought it in February (this was classic deep value: a decent company with a strong balance sheet and trough earnings which was punished by the market until the demand and price environment for semi conductor wafers recovered). At the sector level the largest detractor was UK mid cap technology and intellectual property companies. Although their stock prices were down significantly, almost without exception, each made strong technical and commercial progress giving us confidence it is only a matter of time before the market recognises their value.

As we look to 2017 we're confident the balanced portfolio of companies in the fund will continue to generate positive returns: a core of high quality compounders, exposure to some of the most interesting technologies of the future, as well as stocks which can re-rate as market prices re-align with improving fundamentals. A key challenge for 2017 will be navigating European elections with market volatility likely as sentiment ebbs and flows – an environment that as stock pickers we relish.

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.



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 launch on 5 June 2002



Performance %	December 2016	Year to date	1 year	3 years	5 years	10 years
O accumulation shares	2.7	3.3	3.3	7.6	42.4	125.7

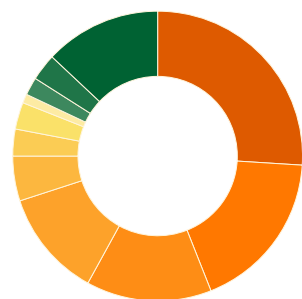
Percentage growth (O acc)	%	Share price as at 30 December 2016	p
31 Dec 2015 – 31 Dec 2016	3.3	O accumulation	513.18
31 Dec 2014 – 31 Dec 2015	4.9	C accumulation	519.97
31 Dec 2013 – 31 Dec 2014	-0.7		
31 Dec 2012 – 31 Dec 2013	23.2		
31 Dec 2011 – 31 Dec 2012	7.4		

Source: Ruffer LLP

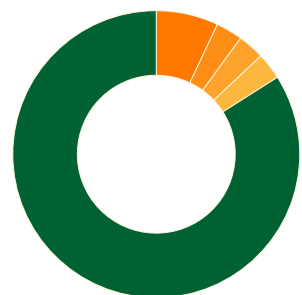
Ruffer performance is shown after deduction of all fees and management charges, and on the basis of income being reinvested. Past performance is not a guide to future performance. The value of the shares and the income from them can go down as well as up and you may not get back the full amount originally invested. The value of overseas investments will be influenced by the rate of exchange.

CF Ruffer European Fund as at 30 December 2016

Portfolio structure



Asset allocation	%		%
UK index-linked gilts	13	UK	26
Gold	3	Germany	18
Cash	2	Sweden	14
		France	12
		Switzerland	5
		Spain	3
		Norway	3
		Italy	1



Currency allocation	%
Sterling	84
Swiss franc	7
Norwegian krone	3
US dollar	3
Euro	3

10 largest holdings (3 bonds and 58 equities)

Stock	% of fund	Stock	% of fund
UK Treasury index-linked 1.1875% 2022	6.4	Deutsche Post	3.7
UK Treasury index-linked 0.125% 2024	6.3	Svenska Cellulosa	3.7
Aurelius	6.0	Nlyte Software	3.2
ORPEA	4.6	Statoil Asa	2.9
Loomis	4.4	IP Group	2.9

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 **£222.9m**

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	0.06
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	

Dealing line **0345 601 9610**

Fund Managers

Claire Titmarsh



Joined Ruffer in 2005 after graduating with a first class honours degree in economics and finance. Joined the CF Ruffer European Fund team in 2011, becoming co-manager in 2016.

Simon Mountain



Joined the CF Ruffer European Fund team in 2013, becoming co-manager in 2016. Prior to this a strategy consultant at Bain & Company. Worked in PwC's Transaction Services practice advising on European private equity deals. Holds a Masters degree in Manufacturing Engineering from the University of Cambridge.

Ruffer LLP

Ruffer LLP manages investments on a discretionary basis for private clients, trusts, charities and pension funds. As at 31 December 2016, assets managed by the Ruffer Group exceeded £20.6bn, of which over £11.4bn was managed in open-ended Ruffer funds.

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