

CF Ruffer European Fund

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



During February, the fund's O accumulation shares increased by 0.2% from 530.67 to 531.60p. This compares to a 2.6% increase in the FTSE Developed Europe in euro terms and a 2.0% increase on a comparable, sterling-adjusted basis. The fund's gross equity exposure was 81.6% at the end of February, with 0.2% in index put options. At the end of January, the gross figure was 81.1%, with zero in index put options.

As we mentioned in last month's report, the fund is run as a 'best ideas stock picking fund which flexes in sympathy with Ruffer's view of the macro and markets'. Below we flesh out in more detail what this means in practice.

Our starting point is the fund's objective which is to provide 'capital growth by investing in a diversified pan-European portfolio of predominantly equities'. Three principles underpin how we think about this: preservation of capital is as important as return on capital, a long-term investment horizon for individual stocks, and a flexible approach to asset allocation as circumstances demand.

These principles guide then how we think about security selection. We divide the portfolio into four categories (approximate portfolio weighing in parentheses) –

- i Compounders (40-50%) – high quality companies creating long-term value as they earn attractive returns on capital. These are core holdings and typically can prosper in good times and bad, eg ORPEA, SCA
- ii Special situations (20-30%) – companies where valuation anomalies should close as the market catches up with improving fundamentals, eg Hapag-Lloyd, Nobia
- iii Technology/ intellectual property (<15%) – higher risk opportunities from disruptive technologies offering potential for outsized returns, eg IP Group, Earthport
- iv Asset allocation (10-20%) – cash, index-linked bonds, gold and index put options used to reduce downside risk and volatility.

Our stock picking focuses on finding the best ideas for each of the first three categories. Whilst we are not afraid to run a concentrated portfolio, we build positions gradually, letting weightings reflect conviction and risk.

Finally, an asset allocation overlay flexes the portfolio in sympathy with Ruffer's view of the macro and markets. From a macro perspective we weight a portion of stocks to reflect global/national macro outlooks or specific themes, eg we are currently optimistic about growth in Europe and have a higher weighting in economically sensitive stocks and those with exposure to France and infrastructure. From a markets perspective we use securities in the asset allocation category to adjust our net equity exposure enabling the fund to remain invested in best ideas whilst managing market risk.

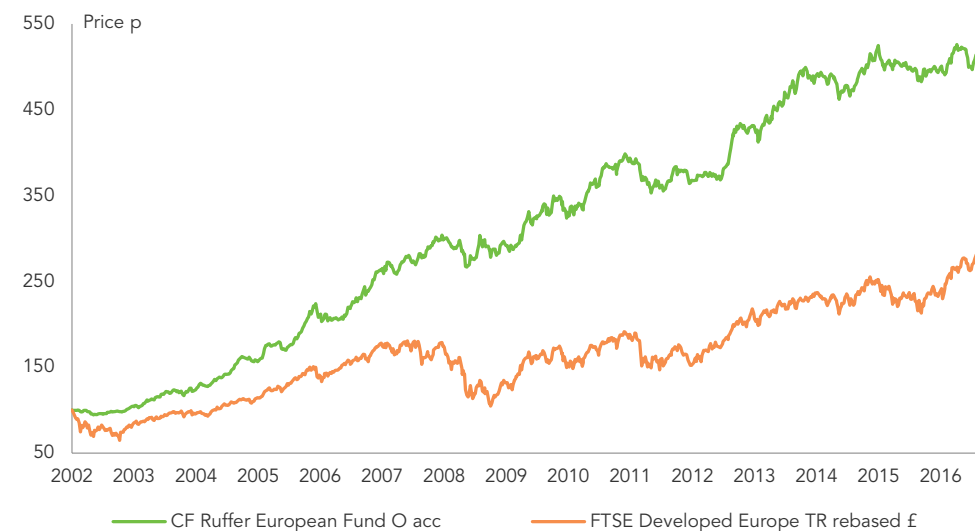
Readers could be forgiven for thinking our process sounds rather formulaic. The reality is quite the contrary: best ideas emerge from the most unexpected sources and we are privileged to have colleagues who can provide valuable macro and market insights. Our principles and framework serve to guide us in constructing a portfolio which best combines these as we patiently seek to generate long-term capital growth.

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 %	February 2017	Year to date	1 year	3 years	5 years	10 years
O accumulation shares	0.2	3.6	7.0	8.0	38.5	127.4

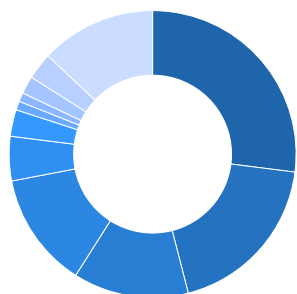
Percentage growth (O acc)	%	Share price as at 28 February 2017	p
31 Dec 2015 – 31 Dec 2016	3.3	O accumulation	531.60
31 Dec 2014 – 31 Dec 2015	4.9	C accumulation	538.91
31 Dec 2013 – 31 Dec 2014	-0.7	C income	100.08
31 Dec 2012 – 31 Dec 2013	23.2		
31 Dec 2011 – 31 Dec 2012	7.4		

Source: Ruffer LLP, FTSE International (FTSE)†. The performance comparator has changed from the STOXX Europe 600 to the FTSE Developed Europe Index as Ruffer adopts FTSE as a data provider for all funds.

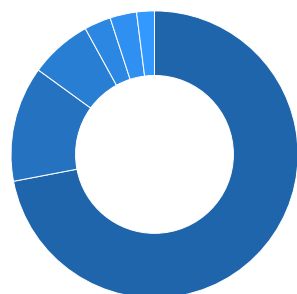
Ruffer performance is shown after deduction of all fees and management charges, and on the basis of income being reinvested. Past performance is not a guide to future performance. The value of the shares and the income from them can go down as well as up and you may not get back the full amount originally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

CF Ruffer European Fund as at 28 February 2017

Portfolio structure



Asset allocation	%		%
• UK	27	• Spain	1
• Germany	19	• Italy	1
• France	13	• Cash	2
• Sweden	13	• Gold	3
• Switzerland	5	• UK index-linked gilts	13
• Norway	3		



Currency allocation	%
• Sterling	72
• Swedish krona	13
• Swiss franc	7
• Norwegian krone	3
• US dollar	3
• Euro	2

10 largest holdings (3 bonds and 57 equities)

Stock	% of fund	Stock	% of fund
Aurelius	6.7	Deutsche Post	3.7
UK Treasury index-linked 1.875% 2022	6.4	Nlyte Software	3.1
UK Treasury index-linked 0.125% 2024	6.3	Booker Group	3.1
ORPEA	4.8	Statoil ASA	2.7
Svenska Cellulosa	3.9	Gold Bullion Securities	2.6

Source: Ruffer LLP

The views expressed in this report are not intended as an offer or solicitation for the purchase or sale of any investment or financial instrument. The views reflect the views of Ruffer LLP at the date of this document and, whilst the opinions stated are honestly held, they are not guarantees and should not be relied upon and may be subject to change without notice.

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 £225.0m

Fund information

%	O class	C class
Ongoing Charges Figure*	1.58	1.28
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 (acc)	C class GB00B84JVJ48 (acc) GB00B7KNM781 (inc)
SEDOL	3167816 (acc)	B84JVJ4 (acc) B7KNM78 (inc)
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

*Refers to accumulation shares

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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 28 February 2017, assets managed by the Ruffer Group exceeded £21.0bn, of which over £11.7bn was managed in open-ended Ruffer funds.

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