

CF Ruffer European Fund

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



During October the fund's O accumulation shares decreased by 0.4% from 505.09 to 502.89. This compares to an 8.5% increase in the STOXX Europe 600 in euro terms and a 5.5% increase on a comparable, sterling-adjusted basis. The fund's equity exposure was 78.0% at the end of October; with 0.8% of that figure in index put options, the underlying 'long' equity exposure was 77.2%. At the end of September, the headline figure was 78.7%, with 2.8% in index put options.

British readers at least will be familiar with late Prime Minister Harold Wilson's famous quote 'a week is a long time in politics'. Whilst market short-termism is nothing new, the current rapidity of sentiment changes is unusual. Having declined a staggering 40% from April peak to September trough, the DAX had bounced 17% by the end of October, with seven percentage points of that in just two days following Mario Draghi's announcement indicating that the European Central Bank may extend its programme of quantitative easing as early as December.

These rapid market gyrations pose something of a challenge for valuation conscious investors like us, exacerbating the tension between company fundamentals and market sentiment, and increasing the likelihood of being right (on fundamentals) but wrong (on sentiment) for extended periods of time. Looking at the European market as whole, fundamentals have improved throughout 2015, but sentiment has improved considerably more, stretching valuations to ever more elevated levels.

A case in point is ProSiebenSat.1 Media, the leading private German TV broadcaster. This is a high quality business, which is well run, has a strong market position and a clever strategy to leverage its consumer reach to promote start-up ecommerce businesses which it owns or has stakes in. We bought the stock in February to increase exposure to the accelerating German consumer recovery. We had conviction in the fundamentals and felt sentiment could improve further, however the valuation was never standout cheap (the yield though was attractive) and we regularly asked ourselves 'should we sell?'. We held our nerve for 36 weeks and eventually sold when the share price spiked following strong third quarter results – at which point we felt sentiment had trumped fundamentals and the valuation was pricing in perfect execution ad infinitum – about as unlikely we suspect as perpetual motion.

In recent days we have been reducing exposure to other names that have performed strongly and where sentiment is likely ahead of fundamentals. The risk, as ever, is we are 'right, but wrong' and positive sentiment continues to drive prices higher. That is a risk we are prepared to take given our bias towards capital preservation and absolute returns. One thing is certain, sentiment will change again; as October reminded us, a day is a long time in European equity markets.

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 % | October 2015 | Year to date | 1 year | 3 years | 5 years | 10 years |
|-----------------------|--------------|--------------|--------|---------|---------|----------|
| O accumulation shares | -0.4 | 6.2 | 6.5 | 35.7 | 38.3 | 194.7 |

| Percentage growth (O acc) | % | Share price as at 30 October 2015 | p |
|---------------------------|------|-----------------------------------|---------------|
| 30 Sep 2014 – 30 Sep 2015 | 5.0 | O accumulation | 502.89 |
| 30 Sep 2013 – 30 Sep 2014 | 6.6 | C accumulation | 507.75 |
| 30 Sep 2012 – 30 Sep 2013 | 20.5 | | |
| 30 Sep 2011 – 30 Sep 2012 | 4.4 | | |
| 30 Sep 2010 – 30 Sep 2011 | 1.0 | | |

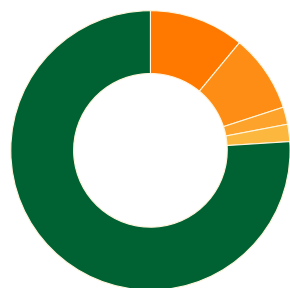
Source: Ruffer LLP

CF Ruffer European Fund as at 30 October 2015

Portfolio structure



| Asset allocation | % | | % |
|-------------------------|----|---------------|----|
| ● UK index-linked gilts | 14 | ● UK | 33 |
| ● Cash | 6 | ● France | 12 |
| ● Gold | 2 | ● Germany | 12 |
| ● Options | 1 | ● Sweden | 9 |
| | | ● Switzerland | 8 |
| | | ● Norway | 2 |
| | | ● Italy | 1 |



| Currency allocation | % |
|---------------------|----|
| ● Sterling | 76 |
| ● Swiss franc | 11 |
| ● Swedish krona | 9 |
| ● Norwegian krone | 2 |
| ● US dollar | 2 |

10 largest holdings (3 bonds and 62 equities)

| Stock | % of fund | Stock | % of fund |
|---------------------------------------|-----------|-----------|-----------|
| IP Group | 5.7 | ORPEA | 4.1 |
| Aurelius | 5.6 | Loomis | 3.9 |
| UK Treasury index-linked 0.125% 2024 | 4.7 | Emmi | 3.7 |
| UK Treasury index-linked 1.1875% 2022 | 4.7 | Earthport | 3.7 |
| UK Treasury index-linked 0.125% 2019 | 4.6 | Raisio | 2.9 |

Source: Ruffer LLP

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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 £272.6m

Fund information

| % | O class | C class |
|--------------------------|---|-------------------------|
| Ongoing Charges Figure | 1.55 | 1.25 |
| Annual management charge | 1.50 | 1.20 |
| Maximum initial charge | 5.0 | 5.0 |
| Yield | 0.00 | 0.24 |
| 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 | |
| Depositary | BNY Mellon Trust & Depositary (UK) Limited | |
| Auditors | Grant Thornton UK LLP | |
| Structure | Sub-fund of CF Ruffer Investment Funds (OEIC) UK domiciled UCITS Eligible for ISAs | |

Enquiries

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Fund Managers

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 Milln to SG Warburg in 1988, then to an independent research boutique in 1999, before joining Ruffer in 2003.



Guy Thornewill

INVESTMENT DIRECTOR

Began at Threadneedle Investments in 1996. After four years in Paris at Jefferies International as a pan-European stock-picking analyst on the sell side, returned to London in 2007 to work for Alliance-Bernstein, researching European mid-cap companies. A CFA charterholder, he joined Ruffer in 2009.



Ruffer LLP

Ruffer LLP manages investments on a discretionary basis for private clients, trusts, charities and pension funds. As at 31 October 2015, assets managed by the Ruffer Group exceeded £18.2bn, of which over £9.3bn was managed in open-ended Ruffer funds.

Dealing line

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