

CF Ruffer European Fund

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



March 2017 Issue 170

During March, the fund's O accumulation shares decreased by 1.0% from 531.60p to 526.38p. This compares to a 2.9% increase in the FTSE Developed Europe in euro terms and a 3.1% increase on a comparable, sterling-adjusted basis. The fund's gross equity exposure was 77.5% at the end of March, with 0.1% in index put options. At the end of February, the gross figure was 81.6%, with 0.2% in index put options.

The performance of the fund was weak during March driven by a significant decline in the price of Aurelius (the largest holding at the end of February). The company was the subject of a negative report by short seller Gotham City Research, raising questions about the integrity of Aurelius's business model, accounting and CEO – Aurelius responded with rebuttals of many of Gotham's points. Based on our analysis of the facts we consider much of what was written to be unsubstantiated, but acknowledge that the risks to the investment case have increased. Whilst the short-term hit to the fund's NAV has been painful the company has been a strong performer since we first invested several years ago.

Turning to markets, as expected the conclusion of the 2016 earnings season confirmed a broad-based pickup in economic activity across Europe in the final quarter of last year. Whilst many companies' guided cautiously for 2017, our discussions with management and analysis of economic indicators suggests conditions remain favourable. Buoyed by this supportive backdrop, equity markets continued their upward trend with several European indices hitting their highest level in two years and many stocks reaching record highs.

Within that context that there was a large amount of activity in the fund during the month. We took profits on several equities which had run strongly – selling out of three companies and reducing weightings in others. Consequently the fund's overall equity weighting declined, consistent with our view that the risk of a market setback has increased as expectations have rapidly risen.

During the month we met several companies in Germany and Italy. Work following these visits is ongoing but has so far resulted in the initiation of a small position in a high quality Italian machinery manufacturer. We have also been analysing European utilities. The sector has underperformed since the financial crisis: from the start of 2009 to the end of March 2017 the sector returned +39% (including dividends) versus +157% for the STOXX 600. Over this period European bond yields fell significantly – which should have supported utility valuations; hence making the picture puzzling. High indebtedness, government pressure, falling electricity prices, nuclear liabilities and other company specific turmoil are offered as justification. Today we see sensible restructuring taking place (cost cutting, capital raises and spin-offs), moderate valuations and more conservative business plans. The fund has initiated a position in a French utility and we are continuing work to identify other instances of value paired with improving fundamentals.

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 %	March 2017	Year to date	1 year	3 years	5 years	10 years
O accumulation shares	-1.0	2.6	6.0	5.9	38.8	115.7

Percentage growth (O acc)	%	Share price as at 31 March 2017	p
31 Mar 2016 – 31 Mar 2017	6.0	O accumulation	526.38
31 Mar 2015 – 31 Mar 2016	-0.5	C accumulation	533.76
31 Mar 2014 – 31 Mar 2015	0.4	C income	99.07
31 Mar 2013 – 31 Mar 2014	16.1		
31 Mar 2012 – 31 Mar 2013	13.0		

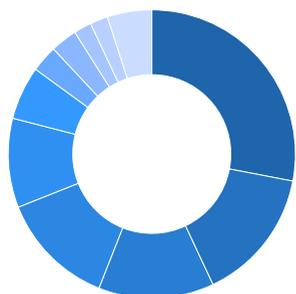
Source: Ruffer LLP, FTSE International (FTSE)†. The performance comparator has changed from the STOXX Europe 600 to the FTSE Developed Europe Index as Ruffer adopts FTSE as a data provider for all funds.

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.

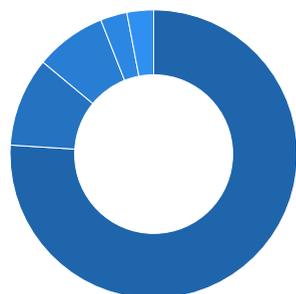
The fund's prospectus and key investor information documents are provided in English and available on request or from www.ruffer.co.uk. Please note that CF Ruffer Investment Funds is a UK UCITS. The CF Ruffer European Fund is not registered for distribution in any country other than the UK.

CF Ruffer European Fund as at 31 March 2017

Portfolio structure



Asset allocation	%		%
• UK	28	• Norway	3
• Germany	15	• Gold	3
• France	13	• Spain	2
• UK index-linked gilts	13	• Italy	2
• Sweden	10	• Cash	5
• Switzerland	6		



Currency allocation	%
• Sterling	76
• Swedish krona	10
• Swiss franc	8
• Norwegian krone	3
• US dollar	3

10 largest holdings (3 bonds and 55 equities)

Stock	% of fund	Stock	% of fund
UK Treasury index-linked 1.875% 2022	6.6	Booker Group	3.1
UK Treasury index-linked 0.125% 2024	6.5	Comet	3.0
ORPEA	5.4	Statoil ASA	2.7
Aurelius	4.0	Gold Bullion Securities	2.7
Deutsche Post	3.8	Loomis	2.7

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 £218.4m

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 31 March 2017, assets managed by the Ruffer Group exceeded £21.4bn, of which over £11.8bn was managed in open-ended Ruffer funds.

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