CF Ruffer Equity & General Fund

An actively-managed fund emphasising absolute growth with diversity of risk

March 2016 **Issue 160**

During the month the fund's O accumulation shares increased by 2.8%. This compared with a rise of 1.9% in the FTSE All-Share Total Return Index.

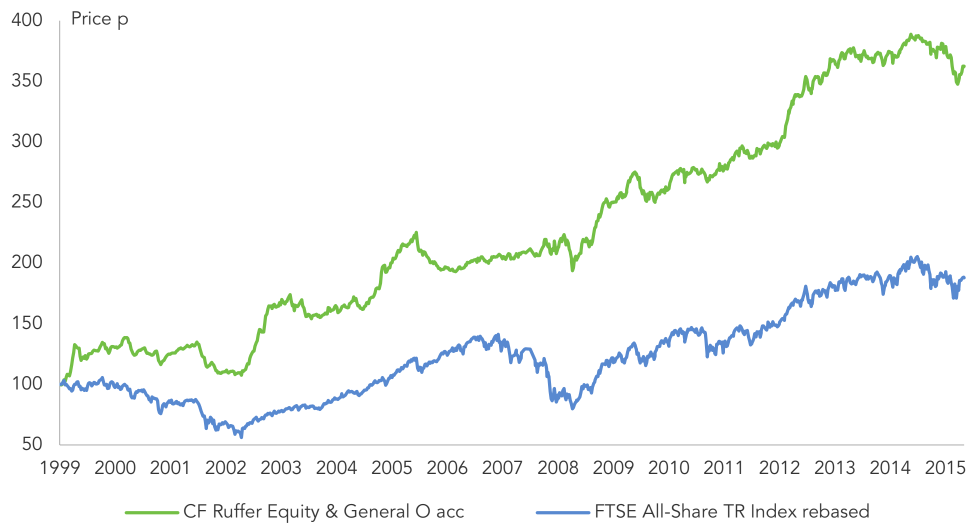
In March we visited the US meeting many different companies. If the US were isolated and not part of the global ecosystem, it is probable that the Fed would have raised interest rates much higher by now. The US economy has been doing fine, but most corporates do not like the strength of the dollar and many management teams find the global macro confusing – Mr Munger's words are as wise as ever 'if you are not confused, you do not understand'. Most recently central banks seem to have acted in a co-ordinated manner to avoid further strengthening of the dollar. Thus, the building up of deflationary forces has abated (for now) and the stock market has been strong. At the same time though, the banking system is 'wounded', particularly in Europe. Negative rates are eroding the earnings power of banks and most financial stocks have been very poor. The current market equilibrium is not based on solid ground, the odds for high volatility and the appearance of extreme events (macro but also micro) are high – this is the result of very low interest rates for so long.

During the last few days as the markets have rallied, we have been selectively reducing our equities: for example, commodity related positions such as Glencore. We also cut News Corp and took profits in Thomson Reuters after the strong appreciation of its shares during the month. Hence, our cash balance has increased to c 35%. We are looking intensely into new investment ideas – we are currently keen on special situations with asymmetry in risk-reward and/or inexpensive yield. Thus, we have been buying Novartis. In the US market, the 'bond proxy' stocks have consistently performed very well and hence the shares of Johnson & Johnson (among others) are at all-time high. On the other hand, it is surprising that in Europe with continuous aggressive quantitative easing and negative rates, Novartis, a Swiss based multinational with stable cash flows, has de-rated significantly recently. Similar to Johnson & Johnson, which is the oldest conglomerate in healthcare (comprising of three units: pharmaceuticals, medical devices and consumer), Novartis manages a portfolio of a) the key pharma unit, b) Sandoz which specialises in generics and c) Alcon, a leader in ophthalmology. The market has been disappointed because Entresto, a new drug with potential to become a blockbuster, is exhibiting lower growth than expected. In addition, Alcon is performing poorly. We have followed and owned Novartis in the past, after it bought Alcon from Nestle just before the financial crisis. Alcon used to be a crown jewel and Novartis certainly paid a very high price for it. However, during the last few years under the corporate umbrella, the focus on innovation declined and most recently Alcon's growth has stalled. An experienced new CEO has just been hired. Over time it is likely that better management with more focus on investing will rejuvenate this strong franchise. Otherwise, it could be argued that if performance does not improve, Novartis's portfolio units could always be run better by different owners; in the meantime Novartis is paying c 4% annually to the patient shareholders.

Investment objective

The fund aims to provide capital growth by investing in a diversified global portfolio of predominantly equities. The fund is actively managed, and is not constrained by any requirement to track indices or conform to investment fashion.

Performance since launch on 1 December 1999



Performance %	March 2016	Year to date	1 year	3 years	5 years	10 years
O accumulation shares	2.8	-2.5	-5.5	7.1	31.9	65.3

Percentage growth (O acc)	%
31 Mar 2015 – 31 Mar 2016	-5.5
31 Mar 2014 – 31 Mar 2015	2.2
31 Mar 2013 – 31 Mar 2014	10.8
31 Mar 2012 – 31 Mar 2013	14.8
31 Mar 2011 – 31 Mar 2012	7.3

Source: Ruffer LLP

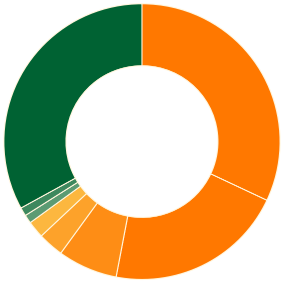
Share price as at 31 March 2016	p
O accumulation	362.42
O income	336.24
C accumulation	366.42
C income	337.95

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 Equity & General Fund as at 31 March 2016

Fund size £180.5m

Portfolio structure



Asset allocation	%
Cash	33
Illiquid strategies	1
Gold and gold equities	1

	%
North America	32
UK equities	21
Europe equities	7
Australasia	3
Japan equities	2

Currency allocation	%
Sterling	85
US dollar	9
Yen	2
Euro	2
Other	2

10 largest of 84 equity holdings

Stock	% of fund	Stock	% of fund
Science Group	3.6	Microgen	1.8
Runge	2.9	Thomson Reuters	1.8
HRG Group	2.5	Novartis	1.7
Groupe Bruxelles Lambert	2.2	Continental Building Products	1.6
Exxon Mobil	2.0	Coats Group	1.6

Source: Ruffer LLP

Fund information

%	O class	C class
Ongoing Charges Figure*	1.59	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

	O class	C class
ISIN	GB0009346718 (acc)	GB00B7VZQV57 (acc)
	GB0009340802 (inc)	GB00B6Y8PL75 (inc)
SEDOL	0934671 (acc)	B7VZQV5 (acc)
	0934080 (inc)	B6Y8PL7 (inc)

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

*Refers to accumulation shares

Fund Manager

Alex Grispos

INVESTMENT DIRECTOR

Graduated from Imperial College with a First Class degree in Mechanical Engineering, started in equity research in 1998 at Alpha Trust in Greece, then worked in venture capital for six years. Joined Top Technology Ventures in the UK, and subsequently became Investment Manager with RTF based in London and St. Petersburg, Russia. Joined Ruffer in 2005 and is manager of the CF Ruffer Equity and General Fund.

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 £18.2bn, of which over £9.4bn was managed in open-ended Ruffer funds.

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