CF Ruffer Equity & General Fund

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

JULY 2014
ISSUE 140

Share price as at 31 Jul 2014

O accumulation	**369.10p**
O income	**342.58p**
C accumulation	**371.27p**
C income	**343.51p**

Percentage growth (O acc)	%
30 Jun 2013 – 30 Jun 2014	7.8
30 Jun 2012 – 30 Jun 2013	17.8
30 Jun 2011 – 30 Jun 2012	5.7
30 Jun 2010 – 30 Jun 2011	9.4
30 Jun 2009 – 30 Jun 2010	15.9

Source: Ruffer LLP

IMA sector ranking (Flexible investment)	*Position/No. of funds*
1 year	39/130
3 years	4/120
5 years	31/100

Source: Lipper, Morningstar

%	O class	C class
Ongoing Charges Figure (OCF)*	1.57	1.26
Annual management charge	1.50	1.20
Yield	0.05	0.34

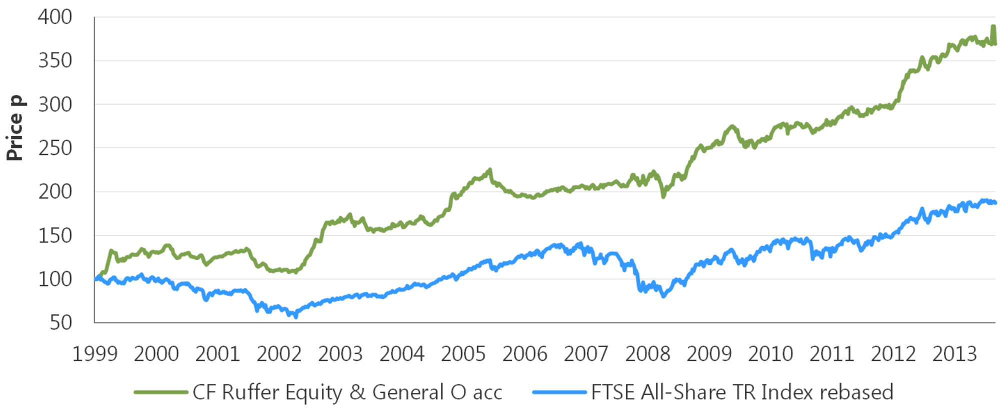
Investment adviser	Ruffer LLP
ACD	Capita Financial Managers Limited
Depositary	BNY Mellon Trust & Depositary (UK) Limited
Auditors	Grant Thornton UK LLP
Structure	Sub-fund of CF Ruffer Investment Funds (OEIC) UK domiciled UCITS Eligible for ISAs

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.

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



Source: Ruffer LLP

Monthly review

During the month the fund price decreased by 0.3%. This compared with a fall of 0.3% in the FTSE All-Share Total Return Index. Currency exposure at the end of the month was around 76% in sterling, 19% in the US dollar, and 2% in the Norwegian kroner.

During July REG's cash position increased to c35%. This is the highest it has been since I started managing the fund in 2007. Most of our top holdings were not affected but a few of our smaller, riskier positions were reduced or eliminated. On the second/back page of this factsheet you can see the evolution of our cash position. It was at its lowest during the financial crisis in late 2008/beginning of 2009, when we were buying many undervalued securities almost every day, and gradually increased as equities moved higher to the current levels. We do not like having a lot of cash. It pays nothing and we love owning businesses. Nevertheless, in my view the value of cash is now the highest it has been for a long time.

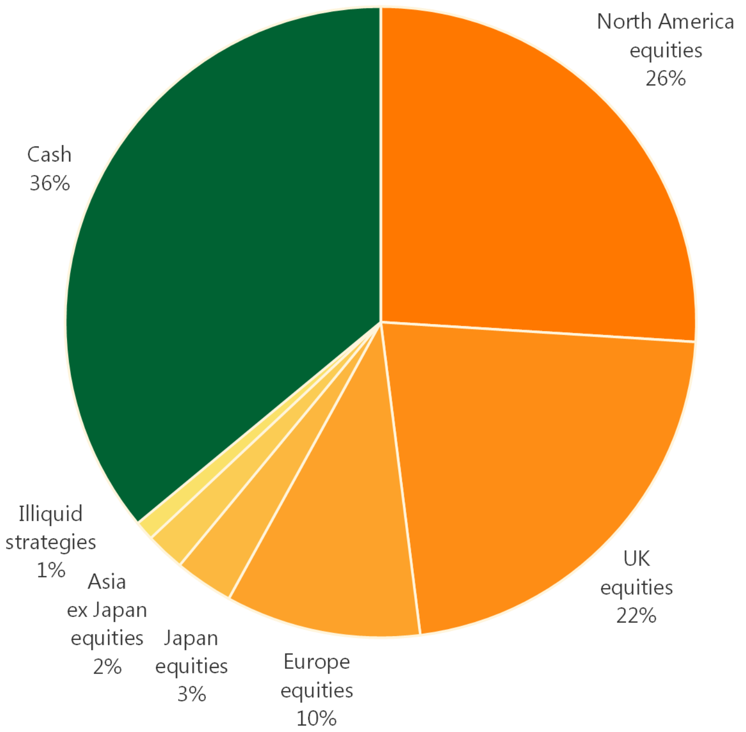
The effect of zero interest rates for many years and potential changes in QE policy is a higher probability for financial instability. Equities may not be extremely expensive (in particular compared to fixed income) but asset prices have moved a lot during the last few years and they are vulnerable to small changes in the discount rate. As we all know, the value of a business is the sum of its future cash flows discounted to the present. The input of this discount rate has always been subjective but currently potential changes to zero interest rates and QE make it very hard to 'objectively' estimate. The irony is that while volatility has recently been very low, the probability of financial instability (even without the occurrence of a major event) is the highest it has been for some time.

During the last few years we have been participating in an amazing monetary experiment, some analysts/market participants draw correlations with the growth of the Fed's balance sheet and the S&P 500 since 2009. Even if correlations with limited historical precedent have to be taken with a pinch of salt, the obvious question is what happens to asset prices when QE stops this autumn. The bottom line is that currently it is hard to find equities which are offered with clear asymmetry in risk-reward; hence it is more important to aim to preserve capital and not to make mistakes.

REG's 'balanced' approach uses a combination of cash and equities. While we could debate whether equities are overvalued or at a fair price, it is absolutely clear that most of the fixed income world is super expensive. The traditional balanced funds, which combine government bonds and other credit related securities with equities, run the risk of seeing the price of both their equities and bonds decline at the same time. Historically, the balanced fund manager used to reduce his/her risk by cutting equities and increasing bonds – cash was anathema. This has worked well for more than 20 years when bonds have been in a bull market. It has even worked this year despite the fact that they are now very overvalued. Our mantra is simple, if an asset is expensive, we avoid it. We love intensely analysing businesses, hence we risk adjust our equity holdings – the larger the position, in our view the safer the stock and vice versa – and we have more or less cash depending on how much value we identify in global equities.

Finally, I would like to repeat a quote from last December which I will expand further in the future 'We should probably be more sceptical of the markets and expect lower average future returns. Nevertheless, investing will remain interesting and rewarding as long as humans exhibit fear and greed. The margin of safety, which has become such a popular phrase, will remain a cornerstone of our practice but we/REG will have to adapt. We have always said that we buy part of a business not just a stock. For us, over time investing will probably have to become even more business-like.'

Portfolio structure of CF Ruffer Equity & General Fund as at 31 Jul 2014



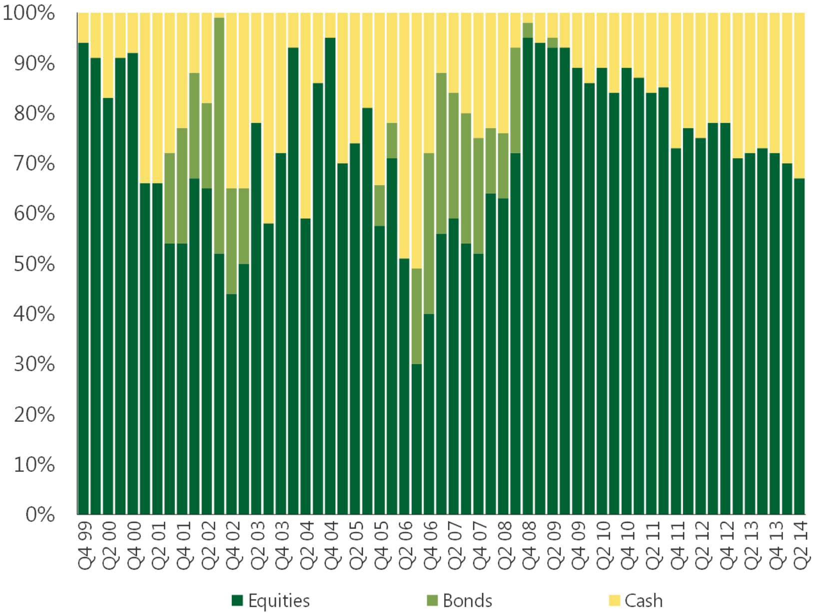
Source: Ruffer LLP

Ten largest holdings as at 31 Jul 2014

Stock	% of fund
IBM	3.0
JPMorgan Chase	2.3
Leucadia National	2.3
General Dynamics	2.2
BP	2.1
Occidental Petroleum	1.9
Groupe Bruxelles Lambert	1.8
Atea	1.8
Fidelity China Special Situations	1.7
QinetiQ	1.5

Source: Ruffer LLP

Asset allocation



Fund information

Fund size	£226.9m (31 Jul 2014)
No. of holdings	90 equities (31 Jul 2014)
Minimum investment	£1,000
IMA classification	Flexible investment
Ex dividend dates	15 March, 15 September
Pay dates	15 May, 15 November
Charges	Initial charge 5% Annual management charge O class 1.5%, C class 1.2%
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
Dealing line	0845 601 9610
ISIN	O class GB0009346718 (acc) GB0009340802 (inc) C class GB00B7VZQV57 (acc) GB00B6Y8PL75 (inc)
SEDOL	O class 0934671 (acc) 0934080 (inc) C class B7VZQV5 (acc) B6Y8PL7 (inc)

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
The Ruffer Group manages investments on a discretionary basis for private clients, trusts, charities and pension funds. As at 31 July 2014, assets managed by the group exceeded £16.8bn, of which over £7.8bn was managed in open-ended Ruffer funds.

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