



CF RUFFER JAPANESE FUND

Providing capital growth by investing in a portfolio of Japanese equities

JANUARY 2010

ISSUE 9

Share price as at 31 Jan 2010

'O' accumulation shares

100.05p

Launch price as at 14 May 2009

100.00p

Investment objective

The investment objective of CF Ruffer Japanese Fund is to provide capital growth by investing in a portfolio of predominantly Japanese equities, though Japanese fixed income securities and fixed income securities and equities from other geographical areas may be utilised if the Investment Manager believes they will assist in meeting the overall objective of the sub-fund.

The sub-fund may also invest in collective investment schemes, cash, money market instruments, other transferable securities and derivatives and forward transactions and other investments to the extent that each is permitted by the Regulations. There will be no particular emphasis on any industrial or economic sector.

Monthly review

During the period from 1 January to 31 January, the price of the Fund's 'O' Accumulation units increased by 0.6% from 99.42 pence to 100.05 pence. During the same period, the TOPIX Index on a sterling-adjusted basis rose by 2.6% while the TOPIX Index in yen went down by 0.7%. As of the close of 31 January, the Fund was 71% invested in equities and its cash position was 29%.

The investment idea of a weaker JPY and rising share prices of Japanese equities, especially export-orientated stocks in 2010, suddenly became a universal consensus among sell-side strategists around the middle of January. But, as usual, the market killed this optimism in the second half of January. The year has started well with the continuing trend of a weaker JPY and rising share prices of Japanese export-orientated stocks following the Bank of Japan's decision to provide banks with 10 trillion yen of three month loans at a fixed rate of 0.1% by accepting JGBs, corporate bonds and commercial paper as collateral. However, the second half of January saw the reversal of that trend and experienced a stronger JPY and falling share prices of Japanese export-orientated stocks, as the Bank of Japan was gradually taking back some of the liquidity which they had provided aggressively in December.

My view is that the Bank of Japan finally crossed the Rubicon on 1 December and that more substantial monetary easing will follow eventually after the current pausing phase, although it is very important to continue to observe how the Bank of Japan is going to deal with the deflationary liquidity trap which kills the spirit of the Japanese economy. The government published its long-term economic growth target with 'nominal' GDP growth rate of 3% per annum and 'real' GDP growth rate of 2% per annum in December. This indicates an annual inflation rate of 1%. The Bank of Japan responded to this saying that the Bank of Japan would not tolerate a year-on-year rate of change in the CPI equal to or below 0 percent. This seems to be a meaningful shift in the Bank of Japan's thinking with regard to the ongoing deflation in Japan. Lack of any monetary easing may lead to further appreciation of JPY, which in turn may force the Bank of Japan to take further action.

On the other hand, it seems that earnings of a number of Japanese companies continued to recover strongly during the

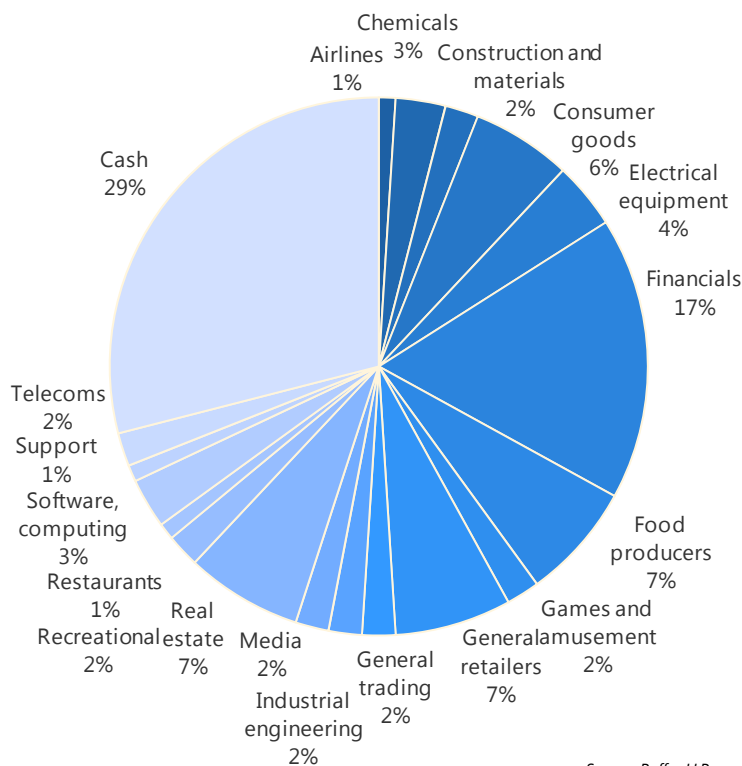
quarter from 1 October to 31 December in spite of the very difficult economic conditions as we have entered the results announcement season now. For example, Kao announced its Q3/FY2010 March results after the close of the market on Tuesday 26 January. Kao's Q3 results were better than the company's own guidance and the market consensus thanks to the continued strength of the fabric and home care division, in spite of the fact that the human health care division suffered a reduction in sales because of its withdrawal of Econa products. Kao continued to face very difficult economic conditions both in its domestic market and in its overseas markets where consumer demand has been declining and price competition accelerating. However, Kao continued to expand its market shares in its key products and demonstrated its competitive edge, i.e. its ability to develop products which meet consumers' need for convenience and its capability to develop in-store display materials for a wide range of products across the group. Kao's operating margin continued to improve. It was 1.98% in Q4/FY2009 March, 6.77% in Q1/FY2010 March, 8.38% in Q2/FY2010 March and 12.58% in Q3/FY2010 March. For the three month period from 1 October 2009 to 31 December 2009, Kao achieved operating margins of 6.02% in the beauty care division, 7.89% in the human care division, 26.53% in the fabric and home care division and 11.49% in the chemical division.

The fund holds shares in those companies which are in the middle of major restructuring programmes like Sony, Pioneer and Hitachi. I feel that they are likely to succeed in their goals given their management teams' strong determination to carry out their tough decisions and measures in spite of extremely difficult conditions. However, a possible tail wind provided by the Bank of Japan would be belatedly welcome, not only for corporate Japan but also for the revival of Japanese economy.

Ruffer LLP

Ruffer LLP manages investments on a discretionary basis for private clients, their trusts and pension funds. It also manages portfolios for small and medium sized corporate and charitable institutions. As at 31 January 2010, funds managed by the group exceeded £5.8bn, of which over £2.1bn was managed in open-ended Ruffer funds.

Portfolio structure as at 31 Jan 2010



Ten largest holdings as at 31 Jan 2010

Stock	% of fund
Daiei	2.9
Sony	2.3
Kao	2.2
Ajinomoto	2.1
Daiwa Securities	1.9
T&D	1.9
Nomura	1.7
So-Net M3	1.6
Hitachi	1.5
Sumitomo Mitsui Financial Group	1.4

Source: Ruffer LLP

Fund information

Investment adviser Ruffer LLP

ACD Capita Financial Managers Limited

Depository The Bank of New York Trust & Depository Company Limited

Auditors Grant Thornton UK LLP

Structure Sub-fund of CF Ruffer Investment Funds (OEIC) UK domiciled UCITS III Eligible for ISAs

Share classes Accumulation only

IMA classification Active Managed



KENTARO NISHIDA Investment Director – Japan

After obtaining a BEcon in Japan and studying Russian in Moscow he worked as an interpreter in both Russia and the UK. He moved into equity sales in 1988 for James Capel & Company Limited and then SG Warburg Securities in 1989. He joined Ruffer in 2008 to concentrate on Japanese Equities and manages the CF Ruffer Japanese Fund.

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Fund size £126.5m (31 Jan 2010)

No. of holdings 85 equities (31 Jan 2010)

Minimum investment £1,000

Benchmark TOPIX (£)
(performance comparator)

Distribution yield n/a

Total Expense Ratio 1.61%

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 Number GB00B3SGKR77 (O acc)

Sedol Number B3SGKR7 (O acc)

Ex dividend dates 15 March, 15 September

Pay dates 15 May, 15 November

Charges Initial charge 5%
Annual management charge
O class 1.5%