

Ruffer UK Mid and Smaller Companies

Positive results from UK mid and smaller companies



December 2015 Issue 43

The fund's C capitalisation shares fell 1.1% from £193.21 to £190.13 in a month of two halves with a large fall in the first half followed by the 'Santa rally' into year-end after the much anticipated Federal Reserve (FED) rate hike. As a result of this macro-economic volatility there was a mixed bag in the benchmark returns with the FTSE All-Share Total Return Index having fallen 1.3% and the FTSE 250 Total Return Index rising 0.2%.

Headline macro-economic data was the clear market driver and continued to centre on oil and the FED rate hike. The 'see-saw' market swings show up clearly in our continued option protection, with the December options (expiring on 18 December) making 14 basis points (bps) in the month but the longer maturity January and February options giving this back in the latter half of the month and costing a total of 53bps.

The oil price continues to be subdued with inventories remaining at record levels and the OPEC decision on 4 December not to cut its production levels. The fund continues to hold some exposure to the oil sector and as a result lost 30bps through Cape and 10bps from the position in BP.

The other major detractor from performance was Volex which cost 30bps as the management changes continued and the company continues to steer through difficult trading conditions.

On the positive side of the ledger there were continued good news in the UK consumer data releases with wage growth outpacing inflation and confidence levels back to pre-crisis levels. With the consumer having spent their money on cars and travel through most of 2015 the portfolio continues to hold a significant exposure to the currently unloved repair, maintenance and improvement (RMI) sector. Two of these stocks, Epwin Group and Safestyle, added a combined 40bps to performance. This remains a key theme for the fund going forward and we are monitoring news flows for the green shoots of an upturn.

There was no real change in the top ten holdings although we finally reached the processing date for the corporate actions on both Hellermannntyton and Infinis, leading to us closing the year with 14% in cash.

The global economic backdrop still feels unsteady and despite a strong year for the fund we feel that producing a double digit return in 2015/16 will be extremely difficult given current valuation levels within the market. We shall be monitoring our portfolio of stocks carefully to ensure that the valuations on offer are commensurate with growth prospects and the associated execution risks in delivering it. In the near term we remain happy to maintain our FTSE 250 put protection to guard against a wider market deterioration.

Looking forward we will continue to analyse our coverage list and new opportunities that present themselves and have a range of potential investments under active consideration. These will remain largely UK focused, however, through our investigations we will also continue to take advantage of opportunities we uncover overseas.

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Investment objective

The investment objective of the sub-fund is to achieve positive returns from an actively managed portfolio mainly of equities and equity-related securities of companies admitted to or dealt on a Regulated Market or Other Regulated Market in the United Kingdom and with market capitalisations below the level which would warrant inclusion in the FTSE 100 Index.

Performance since launch on 26 June 2012 – C class shares GBP



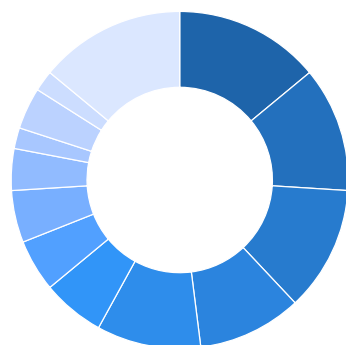
Performance %	December 2015	Year to date	1 year	3 years	5 years	10 years
C capitalisation shares	-1.1	20.1	20.1	67.2	na	na
Percentage growth (C GBP cap)	%		Share price as at 31 December 2015		£	
31 Dec 2014 – 31 Dec 2015	20.1	O capitalisation GBP		187.85		
31 Dec 2013 – 31 Dec 2014	3.6	C capitalisation GBP		190.13		
31 Dec 2012 – 31 Dec 2013	34.3	C distribution GBP		175.63		
31 Dec 2011 – 31 Dec 2012	na	Z capitalisation GBP		197.95		
31 Dec 2010 – 31 Dec 2011	na	Z distribution GBP		181.04		

Source: Ruffer LLP

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.

Ruffer UK Mid and Smaller Companies as at 31 Dec 2015

Portfolio structure



Asset allocation	%		%
• Support services	14	• Technology	5
• Retail	12	• Travel and leisure	4
• Industrial engineering	12	• Oil and gas	2
• Building	10	• Other	4
• Food and beverage	10	• Options	2
• Financial	6	• Cash	14
• Overseas equity	5		

10 largest of 50 equity and 1 bond holdings

Stock	% of fund	Stock	% of fund
Finsbury Food	9.6	Games Workshop	4.3
Castings	6.0	Johnson Service	3.9
Headlam	4.6	Volex	3.5
Epwin	4.6	Eurocell	3.4
Cape	4.3	Character	3.2

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.

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Fund size £208.8m

Fund information

Ongoing Charges Figure %	Cap	Dis	
O class GBP	1.68	na	
C class GBP	1.34	1.34	
Z class GBP	0.19	0.19	
%	O class	C class	Z class
Maximum annual management fee	1.5	1.2	0.0
Maximum initial charge	5.0	5.0	7.5
Minimum investment £	£1,000	£10m	£30m

Record date Third Monday of November

Ex dividend dates Next NAV following the record date

Payment Within five business days after ex dividend date

Dealing Weekly, every Tuesday (if not a business day, on the following business day) Plus on the first business day of each month

Cut-off 4pm Luxembourg time on the day before valuation day (so typically Friday and the penultimate business day of the month)

ISIN O class C class Z class

Cap LU0788206679 LU0788036498 LU0788036654

Dis LU0788036571 LU0788036738

Structure Sub fund of Ruffer SICAV, a Luxembourg domiciled UCITS SICAV

Management company, administrative agent, registrar and transfer agent, paying and domiciliary agent FundPartner Solutions (Europe) S.A.

Investment manager Ruffer LLP

Custodian Pictet & Cie (Europe) S.A.

Auditors Ernst & Young S.A.

Fund Manager

Trevor Wild

RESEARCH DIRECTOR



Worked for BZW from 1983, where he led a number of successful research teams, joining Commerzbank in 1999 to begin his career as a Portfolio Manager. In 2005 moved to Lehman Brothers as Managing Director of the Long Term Value Fund. Joined Ruffer in 2008.

Des Brennan

RESEARCH ANALYST



With over twenty years' experience both as an investment analyst and a portfolio manager, joined Ruffer in 2011. He has worked most recently at Cazenove Capital Management, and prior to that as a UK fund manager at Insight.

Ruffer LLP

Ruffer LLP manages investments on a discretionary basis for private clients, trusts, charities and pension funds. As at 31 December 2015, assets managed by the Ruffer Group exceeded £18.3bn, of which over £9.3bn was managed in open-ended Ruffer funds.

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