

Ruffer UK Mid and Smaller Companies

Positive results from UK mid and smaller companies



January 2016 Issue 44

The fund's C capitalisation shares rose 0.7 % from £190.13 to £191.54 over the month representing a small nominal return in a very difficult and volatile month for equity markets in particular. The FTSE 250 Total Return Index fell 5.3% and the FTSE Small Cap Total Return Index fell 5.6% but at their worst point they were down over 10% and 9% respectively.

In this turbulent environment we were pleased to have put protection in the portfolio, which we have now been running for a year. Collectively, this put protection contributed 2.5% during the month. Given the sharp drop early on in the month we have however slightly reduced this by not rolling one of our positions of c£20m notional, but do still maintain a £105m notional book.

On the last day of 2015 we received the cash for the HellermannTyton and Infinis bids totalling £21.2m, which meant we entered the year with a net long equity exposure of 32%. After the early market fall we took the opportunity to redeploy our cash and added to high conviction positions such as Headlam and Georg Fischer. We closed the month with c9.5% in cash, down from 13.5% at the end of 2015 and will continue to take advantage of share price falls to invest this in the coming months.

The market is behaving in a manner more and more linked to the oil price, which fell 25% in the first half of the month before rallying back 25%. Given this correlation, we chose to add to our BP position which added 20 basis points to performance and helped smooth the decay in our options on a purely oil related basis.

Stock contributions to performance during the month were, in many ways, surprisingly subdued as much of the portfolio held up well given the unpredictable backdrop. Specific names that cost us were Volex which continues to try and find its feet and steer through difficult trading conditions with continued concern of a slowdown in global GDP, as well as an easing in demand from its major customers such as Ericsson and Apple. Others were Games Workshop, who announced their interim results and pulled back full year expectations after poor December sales, and Conviviality Retail which gave back some performance after a strong run in Q4 2015. Collectively these cost the fund 1.2%.

On the positive side Character Group gave a positive trading update with ongoing performance from their broadened and established cornerstone brands, which includes the likes of Peppa Pig, Minecraft and Fireman Sam, and good early indications on the Teletubbies re-launch this month.

We have initiated a small position in Pearson which we will continue to work on and monitor this year as it embarks on a huge restructuring plan (announced this month) with the plan to simplify the business, reduce costs and position itself for growth in major markets. More detail is expected to be announced in March.

Overall, 2016 has begun with ongoing volatility in equity markets which is largely driven by macro factors. We continue to hold strong conviction in the positioning of our portfolio and are reassured by the high quality, lowly valued, well managed companies we hold, which we feel can continue to perform with an improving domestic UK background, self-help and in some cases bolt on acquisitions or disposals.

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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 %	January 2016	Year to date	1 year	3 years	5 years	10 years
C capitalisation shares	0.7	0.7	19.4	58.8	na	na

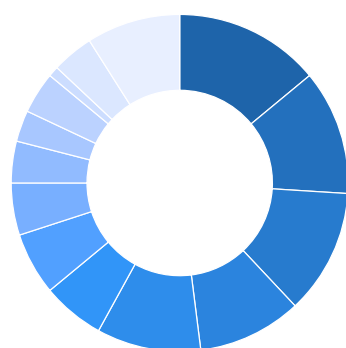
Percentage growth (C GBP cap)	%	Share price as at 31 January 2016	£
31 Dec 2014 – 31 Dec 2015	20.1	O capitalisation GBP	189.19
31 Dec 2013 – 31 Dec 2014	3.6	C capitalisation GBP	191.54
31 Dec 2012 – 31 Dec 2013	34.3	C distribution GBP	176.93
31 Dec 2011 – 31 Dec 2012	na	Z capitalisation GBP	199.60
31 Dec 2010 – 31 Dec 2011	na	Z distribution GBP	182.54

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 Jan 2016

Portfolio structure



Asset allocation	%		%
• Support services	14	• Technology	5
• Retail	12	• Travel and leisure	4
• Industrial engineering	12	• Media	3
• Building	10	• Other	4
• Food and beverage	10	• Bonds	1
• Financial	6	• Options	4
• Overseas equity	6	• Cash	9

10 largest of 51 equity and 1 bond holdings

Stock	% of fund	Stock	% of fund
Finsbury Food	9.5	Johnson Service	4.0
Castings	6.1	Games Workshop	3.8
Headlam	5.8	Eurocell	3.6
Epwin	4.6	Character	3.4
Cape	4.1	Volex	3.0

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 **£211.8m**

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 January 2016, assets managed by the Ruffer Group exceeded £18.0bn, of which over £9.2bn was managed in open-ended Ruffer funds.

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