

Ruffer UK Mid and Smaller Companies

Positive results from UK mid and smaller companies



July 2016 Issue 50

The fund's C capitalisation shares rose 3.3% from £187.73 to £193.89 whilst the FTSE 250 Total Return Index rose 6.4% and the FTSE Small Cap Total Return Index was up 7.0%.

Post the EU referendum vote in June we now find ourselves facing an unprecedented scenario of 'known unknowns', as we meander towards, at least in some form, the signing of Article 50 and our exit from the European Union. After the initial knee-jerk reaction we have seen the market calm, anaesthetised by the thought of further monetary stimulus, with the FTSE 100 and even the FTSE 250 closing the month at or above their pre referendum levels.

When examining this more closely we can see a clear bifurcation between the performance of stocks with international exposure faring well, and those with a more UK domestic focused names being punished. It has become apparent that many UK funds were sitting on a high cash weighting pre-vote (ready for a potential flurry of redemptions which have not manifested themselves), which is now being deployed as the effect of potential liquidity measures and the associated perceived market stability proved difficult to resist, despite the already elevated valuations which have become somewhat detached from the underlying fundamentals of the stocks. Our concern remains that this disconnect between 'artificial' market stability and the real health of the underlying consumer confidence will likely widen, hence why we have maintained an approximately £90m notional position in FTSE 250 and FTSE 100 put positions which cost the fund 1.6% over the month. Companies have commented that they do not yet have a feel for the 'real' impact of the Brexit vote, therefore until we have navigated through some stronger data releases and reporting periods, we are likely to remain nervous as to how long the market can grind higher. We are consequently using this rally to selectively reduce our equity exposure.

In the current environment we are reassured by the strength of the balance sheets of many of our core holdings, as well as by the experience and conservative nature of the management teams. Our largest position, Finsbury Food Group, announced a robust trading update during the month, returning 16% which added 1.4% to the fund. We also had positive news from both Headlam Group and Volex, adding 0.7% and 1% respectively, the latter of which is now showing signs of recovery under the stewardship of Nathaniel Rothschild.

As mentioned above, the UK-focused names have been punished in the last six weeks and unsurprisingly cost the fund this month. Eurocell Group and Epwin Group, both of which are exposed to the 'repair, maintain and improve' housing market, detracted 0.7% from performance.

Whilst holding a more cautious view on equity markets, we will continue to look to seek out selective opportunities along the way.

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 %	July 2016	Year to date	1 year	3 years	5 years	10 years
C capitalisation shares	3.3	2.0	0.2	35.5	na	na

Percentage growth (C GBP cap)	%	Share price as at 31 July 2016	£
30 Jun 2015 – 30 Jun 2016	0.1	O capitalisation GBP	191.18
30 Jun 2014 – 30 Jun 2015	17.4	C capitalisation GBP	193.89
30 Jun 2013 – 30 Jun 2014	15.7	C distribution GBP	179.10
30 Jun 2012 – 30 Jun 2013	38.0	Z capitalisation GBP	203.21
30 Jun 2011 – 30 Jun 2012	na	Z distribution GBP	185.85

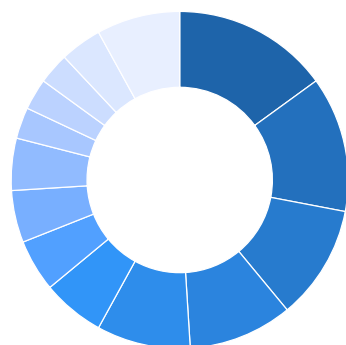
Source: Ruffer LLP

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.

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Ruffer UK Mid and Smaller Companies as at 31 July 2016

Portfolio structure



Asset allocation	%		%
• Support services	15	• Financial	5
• Industrial engineering	13	• Overseas equity	5
• Food and beverage	11	• Travel and leisure	3
• Retail	10	• Industrial services	3
• Building	9	• Oil and gas	3
• Technology	6	• Other	4
• Media	5	• Cash	8

10 largest of 56 equity and 1 bond holdings

Stock	% of fund	Stock	% of fund
Finsbury Food	9.6	Games Workshop	3.4
Headlam	7.5	Volex	3.3
Castings	7.0	Epwin	3.1
Cape	3.7	Sherborne Investors	2.9
Johnson Service	3.7	Character	2.8

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 **£223.9m**

Fund information

Ongoing Charges Figure %	Cap	Dis	
O class GBP	1.64	na	
C class GBP	1.31	1.31	
Z class GBP	0.15	0.15	
%	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.

Ruffer LLP

Ruffer LLP manages investments on a discretionary basis for private clients, trusts, charities and pension funds. As at 31 July 2016, assets managed by the Ruffer Group exceeded £19.2bn, of which over £10.6bn was managed in open-ended Ruffer funds.

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