

# Ruffer UK Mid and Smaller Companies

Positive results from UK mid and smaller companies



February 2018 Issue 69

During February, the fund's C capitalisation shares fell 2.1% from £241.74 to £236.60, whilst the FTSE 250 Total Return index fell 2.7% and the FTSE Small Cap Total Return index fell by 3.1%.

The tentative start to 2018 was accentuated by a lurch down in early February, as global equity markets dropped approximately 10%. After years of reduced volatility many were awoken from a complacent slumber as the bear threatened to emerge in time for spring. This move was the downfall of a number of inverse VIX exchange-traded products which, having made large bets on ongoing sanguine market conditions, were forced to close with some having seen their value drop by nearly 90%.

In this market gyration, we were pleased to see our short FTSE 250 holding, which we added to in the month, kick in and add 0.15% to the fund performance. With markets returning to more docile form in the latter half of the month, our additional SPX put protection sadly saw its value eroded by an easing in underlying volatility and time decay as we approach the maturity date. This cost the fund 1.1%.

Benefiting the fund performance for February was Elektron, which released a positive trading statement with strong sales and order progression in its core Bulgian business along with further progress within the Checkit division. The shares were up over 30% and added 0.4% to the fund. Other names to mention include Surgical Innovation, which signed a new three year distribution contract within the Elemental Healthcare business it acquired last year and our largest holding, Tesco Plc, which announced that shareholders had voted in favour of its acquisition of Booker Plc.

Safestyle shares dropped 30% after it issued a second profit warning in three months, following continued deterioration of consumer confidence and an aggressive new market entrant which dented the order book and outlook for 2018. Further negative contributors were Bakkavor and ITV. Bakkavor pulled back after a strong run in January, as it announced results that flagged a slower growth forecast for 2018, as inflationary pressures continued to weigh on the business. We expect these to be passed on to the consumer in time, and believe the company is well positioned to take advantage of the growth in the chilled assembled convenience food sector. ITV announced their final results, which were in line with expectations, but this stock remains a true barometer of UK investor confidence, with a marked reaction over the cutting of the special dividend (something we were supportive of) and concerns over the capital allocation expectations of the incoming CEO. Additionally, advertising revenue expectations combined to pull the stock down and cost the fund 0.2%.

Despite a tough month, we stay positive with the shape of the portfolio, whilst also remaining fearful of markets.

## 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 %	February 2018	Year to date	1 year	3 years	5 years	10 years
C capitalisation shares	-2.1	-1.1	12.5	41.5	92.3	na

Percentage growth (C GBP cap)	%	Share price as at 28 February 2018	£
31 Dec 2016 – 31 Dec 2017	18.2	<b>O capitalisation GBP</b>	<b>232.01</b>
31 Dec 2015 – 31 Dec 2016	6.5	<b>C capitalisation GBP</b>	<b>236.60</b>
31 Dec 2014 – 31 Dec 2015	20.1	<b>C distribution GBP</b>	<b>202.86</b>
31 Dec 2013 – 31 Dec 2014	3.6	<b>Z capitalisation GBP</b>	<b>252.53</b>
31 Dec 2012 – 31 Dec 2013	34.3	<b>Z distribution GBP</b>	<b>210.82</b>

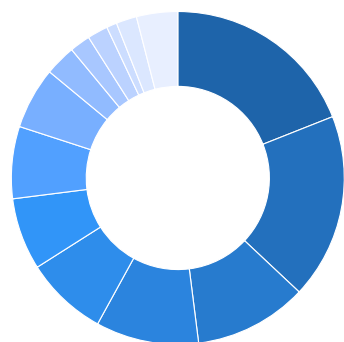
Source: Ruffer LLP

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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 28 Feb 2018

## Portfolio structure



Asset allocation	%		%
Industrial engineering	19	Media	6
Retail	18	Oil and gas	3
Food and beverage	11	Biotechnology	2
Building	10	Overseas equity	2
Options	8	Financial	1
Support services	7	Other	2
Technology	7	Cash	4

## 10 largest of 60 equity and 1 bond holdings

Stock	% of fund	Stock	% of fund
Tesco	7.7	Headlam	4.3
FTSE 250 Short ETP	7.5	Castings	4.1
Finsbury Food	7.4	Volex	3.8
Games Workshop	4.8	Nexus Infrastructure	3.6
ITV	4.6	BP	2.9

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 £322.7m

## Fund information

Ongoing Charges Figure* %	Cap	Dis	
O class GBP	1.65	na	
C class GBP	1.31	1.31	
Z class GBP	0.16	0.16	
%	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 Monday (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.

\* As at 31 December 2017

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## 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.

### Alex Jamieson

RESEARCH ASSOCIATE



Joined Ruffer in 2012 as Risk and Attribution Manager, moving to the Ruffer Mid and Smaller Companies team in 2014. Prior to this, he spent four years at F&C Investments and State Street. Holds a Masters degree in international financial analysis from Newcastle University. He is a CFA charterholder.

## Ruffer LLP

Ruffer LLP manages investments on a discretionary basis for private clients, trusts, charities and pension funds. As at 28 February 2018, assets managed by the Ruffer Group exceeded £22.5bn, of which over £13.8bn was managed in open-ended Ruffer funds.

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