

# Ruffer UK Mid and Smaller Companies

## Positive results from UK mid and smaller companies

The fund was down 5.9% over the month with the price moving from £243.20 to £228.85. The FTSE 250 Total Return index dropped 6.7% and the FTSE Small Cap Total Return index was down 6.4%. October was a volatile month for global markets as they digested a number of macro events. There was a sharp sell-off in equities as investors sought to accommodate the rise in real rates as the Fed signalled its intention to keep raising rates in the face of what Jerome Powell calls the ‘indefinite’ cycle. This, combined with the growing indigestion from the darkening of the unrelenting Brexit discussions, China-US trade relations and the rejection of Italian budget proposals, knocked the finely balanced market equilibrium.

During the early stage of the market fall, we added to our portfolio protection by initiating a range of put option positions on the S&P: a liquid option with strong correlation to our underlying portfolio that had, up until then, held up better than others markets. These, combined with the FTSE 250 short, helped to mitigate some of the fall and added 1.0% to the fund. There was a limited amount of other good news for us with Safestyle UK announcing the settlement of its claims against the disruptive competition from its former founder’s new SafeGlaze UK operation. As a result the shares climbed over 50% and added 0.3% to the fund.

With investors jittery, any negative comments were severely treated as buyers disappeared and prices gapped down. Two of our largest positions fell into this camp, both of them off over 20% from their recent highs. The Tesco interim results were hampered by some headwinds and operational changes in their overseas businesses and a slight step back in their sequential UK earnings leading the market to question their ability to meet their targets by 2021. Management remain pleased with progress and we expect a lot of the heavy lifting work done behind the scenes in the last six months, to bear fruit in their end of year statement. After its phenomenal run, Games Workshop management mentioned ‘some uncertainties in the trading periods ahead’ and this, combined with the founder selling c 25% of his stake, was enough to spook holders. These two names combined reduced the NAV by 1.9%.

We have long worried about the road ahead of us, with many levers pulled and a full arsenal of weapons deployed to support the current market structures. We remain vigilant to see if this recent move is simply another grumble from the hibernating bear, or a growing realisation we are slowly adding more and more concentrated risk onto an already avalanche prone slope. We continue to plot our path across it and ensure, where we can, we pick the right lines and avail ourselves with the right equipment. This will be in the form of lowly geared, market leading companies with strong management teams as well as an avalanche beacon and shovels (hedge protection) should the slope suddenly give way beneath us. At the micro level, we also note that operating margins are high and there is subdued volume growth to alleviate a considerable degree of cost pressure.

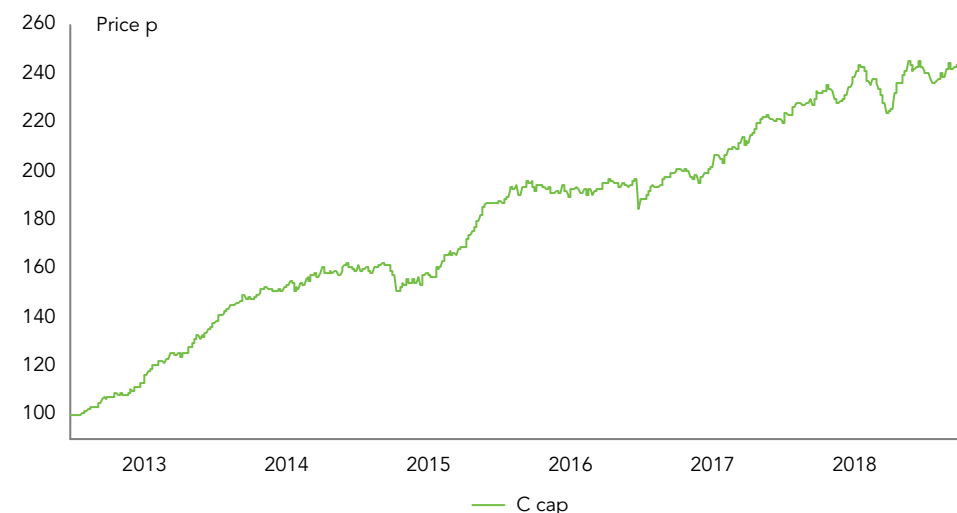
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### Investment objective

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 %	October 2018	Year to date	1 year	3 years	5 years
C capitalisation shares	-5.9	-4.4	-2.3	18.0	50.7

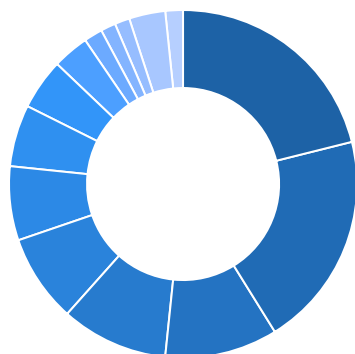
Percentage growth (C GBP cap)	%	Share price as at 31 October 2018	p
30 Sep 2017 – 30 Sep 2018	4.2	<b>O capitalisation</b>	<b>223.90</b>
30 Sep 2016 – 30 Sep 2017	16.5	<b>C capitalisation</b>	<b>228.85</b>
30 Sep 2015 – 30 Sep 2016	3.5	<b>C distribution</b>	<b>196.21</b>
30 Sep 2014 – 30 Sep 2015	21.4	<b>Z capitalisation</b>	<b>246.14</b>
30 Sep 2013 – 30 Sep 2014	7.5	<b>Z distribution</b>	<b>205.49</b>

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 Oct 2018

## Portfolio structure



Asset allocation	%		%
• Industrial engineering	21.1	• Media	4.8
• Retail	20.0	• Oil and gas	3.2
• Options	10.6	• Real estate	1.7
• Food and beverage	9.8	• Industrial services	1.6
• Building	8.2	• Financial	1.2
• Support services	7.0	• Other	3.5
• Technology	5.7	• Cash	1.6

## 10 largest of 68 holdings

Stock	% of fund	Stock	% of fund
FTSE 250 Short ETP	9.6	Dixons Carphone	4.7
Tesco	9.0	Castings	4.4
Volex	7.1	Games Workshop	4.3
Finsbury Food	7.0	Headlam	3.8
ITV	4.7	Epwin	3.2

Source: Ruffer LLP. Pie chart totals may not equal 100 due to rounding.

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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 **£325.9m**

## 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
Max annual management charge	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 last calendar 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

Investment manager Ruffer LLP

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

Custodian Pictet & Cie (Europe) S.A.

Auditors Ernst & Young S.A.

\* As at 22 January 2018

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## Fund Managers

### 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 ANALYST

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 30 September 2018, assets managed by the Ruffer Group exceeded £21.8bn.

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