

Ruffer UK Mid and Smaller Companies

Positive results from UK mid and smaller companies



December 2018 Issue 79

The fund fell 2.9% over the month with the price moving from £228.95 to £222.24. The FTSE 250 Total Return index dropped 5.1% and the FTSE Small Cap Total Return index was down 3.5%.

Markets continued to navigate a lot of ‘noise’, with a high level of scepticism around the trade war truce between the US and China, as well as a deferral of the Brexit vote in parliament as it became clear, despite successfully fending off a vote of no confidence, that Theresa May did not have the support to get her deal over the line. Many of the other headlines are part of the side show that is playing out as the authorities attempt to remove the stimulus drip feed that has sustained all asset prices this past decade. Excessive debt still dominates the stage.

During the month, Dixons announced their half year results in which they reiterated their full year profit guidance and updated the market on the strategic outlook for the company. This included rebasing the dividend payment, some significant one off costs to address some historical data and regulatory issues, a plan to invest in the UK electrical division, and repositioning the troubled mobile portion of the business. With the much publicised high street pressures, the results saw the share price fall over 20% and this cost the fund 1.1%. We have met with management and, whilst frustrated with the lack of an immediate catalyst for change we had been expecting, do believe they are doing the right things to enhance the company’s offering, market position and profitability for the future.

Other names hurting performance this month were a range of UK exposed names such as Finsbury Food Group, ITV, Epwin and Headlam.

With the more sustained fall in markets over the month, it was pleasing to see our protection strategies kick in, with our straight short on the FTSE 250 contributing 0.5% and our S&P 500 puts making 2.2%. We also took the decision to roll these options as they approached expiry from December to February as we remain concerned with the fragility of global equities and looked to protect the portfolio for more time.

We end the year down 7.1% against the FTSE 250 Total Return index which was down 13.3% and the FTSE Small Cap Total Return index down 13.8%.

2018 has been a bruising year and we move into 2019 with many uncertainties ahead of us. There is much to be concerned about and, whilst aware not much will be immune from a further unwind of the current macro position, we retain high conviction in the positions we hold. These are focused on strong management teams, dominant market positions, unlevered balance sheets, low valuations and self-help stories. Overlaying this, we continue to use portfolio protection measures where we see fit. Whilst we continue to actively analyse, monitor and trade our portfolio, we will also be seeking out new opportunities that present themselves in the year ahead.

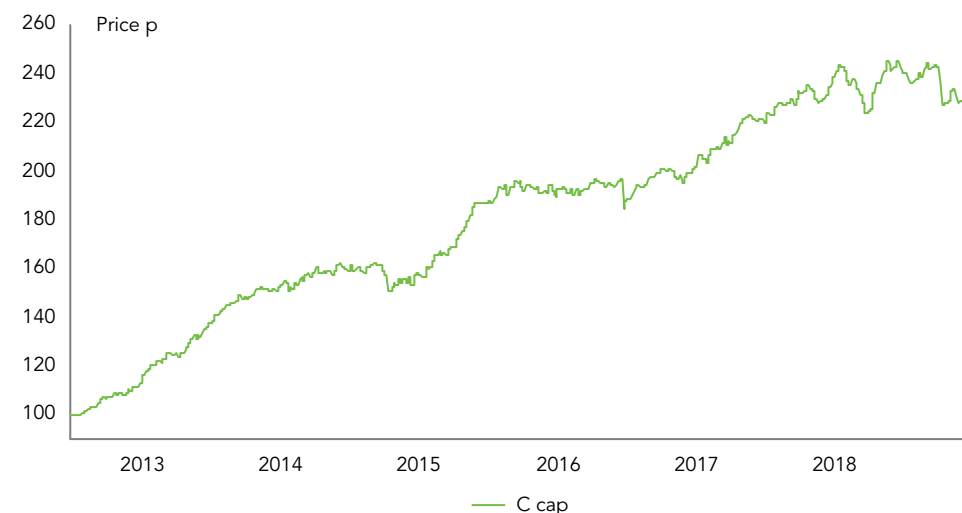
In future, this report will be published on a quarterly rather than monthly basis.

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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



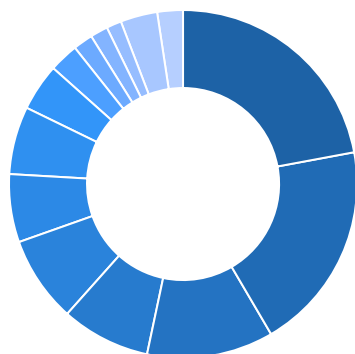
Performance %	December 2018	Year to date	1 year	3 years	5 years
C capitalisation shares	-2.9	-7.1	-7.1	16.9	45.5
Percentage growth (C GBP cap)	%	Share price as at 31 December 2018			
31 Dec 2017 – 31 Dec 2018	-7.1	O capitalisation	217.31		
31 Dec 2016 – 31 Dec 2017	18.2	C capitalisation	222.24		
31 Dec 2015 – 31 Dec 2016	6.5	C distribution	187.96		
31 Dec 2014 – 31 Dec 2015	20.1	Z capitalisation	239.50		
31 Dec 2013 – 31 Dec 2014	3.6	Z distribution	194.97		

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 2018

Portfolio structure



Asset allocation	%		%
Industrial engineering	22.1	Media	4.3
Retail	19.5	Oil and gas	2.9
Options	11.8	Real estate	1.8
Building	8.2	Industrial services	1.6
Food and beverage	8.1	Financial	1.3
Support services	6.3	Other	3.6
Technology	6.3	Cash	2.3

10 largest of 67 holdings

Stock	% of fund	Stock	% of fund
FTSE 250 Short ETP	9.6	Games Workshop	4.5
Tesco	8.8	ITV	4.1
Volex	8.4	Dixons Carphone	3.9
Finsbury Food	6.6	Headlam	3.6
Castings	4.5	Nexus Infrastructure	3.4

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 £294.4m

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 November 2018, assets managed by the Ruffer Group exceeded £21.1bn.

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