

Ruffer UK Mid and Smaller Companies

Positive results from UK mid and smaller companies



March 2019 Issue 80

The fund's C capitalisation shares fell 3.1% from £222.24 to £215.39 in Q1 2019. The FTSE 250 Total Return index climbed 9.7% and the FTSE Small Cap Total Return index was up 6.2%.

The start of 2019 has been a difficult period for RUM. This clearly is disappointing and follows 2018 where RUM's NAV declined 7.1%. We were not proud of our performance for 2018 but we could claim out-performance of our comparable indexes which declined by just over 13%. Both the material short we held throughout the year on the FTSE 250, and also the S&P puts we held, especially during the final quarter of 2018, contributed strongly to our performance. The decision not to close or materially reduce these positions has proved costly, with these instruments costing the fund 3.2% during the quarter.

The fund did have its winners, some driven by stock specific news and others benefiting from a more positive market tone to risk assets. Tesco returned 22.1%, following a well-received Christmas trading update and continuing positive monthly sales data from Kantars relative to the other majors. Dixons Carphone has also bounced 22.2%, partly a reflection of a poor performance in 2018, and partly down to a greater appreciation of the strengths of the business, as well as the new management's five year plan for the company's future. Within our small cap holdings, Luceco's share price more than doubled, adding 1.1% to the fund's NAV. Its shares recovered from an oversold position, and then responded well to results which showed the business recovering well from actions management have taken to recover margins. A long held position of ours, OMG, rose 27.6% as investor enthusiasm rose around its relationship with key virtual reality entertainment players.

We have spent much of 2018 concerned about a UK world where volume growth was harder to see, but cost pressures were clearly evident with the minimum wage and energy bills being uppermost in mind. One of the features of the recovery since 2009 has been the level of margin expansion and this we perceived as coming to an end. Management of our businesses were not blind to these trends and have taken measures to mitigate by winning market share, automating, and re-formulating where possible. Within food, we have also seen two years of unprecedented commodity cost inflation, first in dairy (cream and butter) and more laterally in wheat. This relentless pressure has caused one of our holdings, Finsbury Foods, to marginally warn on profits, but also to remain cautious on the short run future. This, combined with Brexit-inspired uncertainties, has led to a torrid performance of the stock this year costing the fund 2.6% of performance. This stock will bounce hard once some relief from commodity costs is evident.

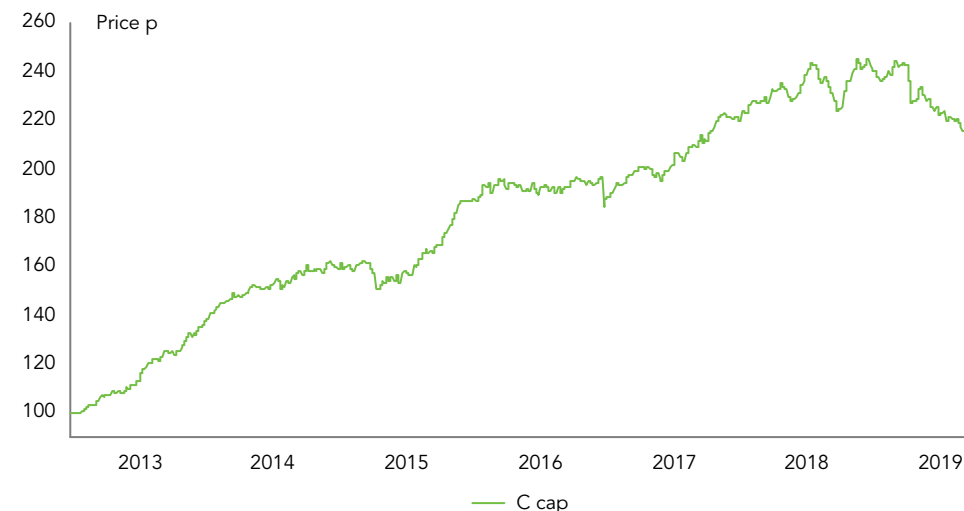
In general, we have had a little too much direct UK exposure and, with many investors standing on the sidelines whilst the shenanigans of Brexit unfold, we have suffered a de-rating of a number of stocks leaving a good number on extremely low valuations. This value will out over time, sometimes very quickly à la Luceco, however if we crash out of Europe the ride will not be easy.

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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 %	Q1	Year to date	1 year	3 years	5 years
C capitalisation shares	-3.1	-3.1	-4.2	10.1	35.8

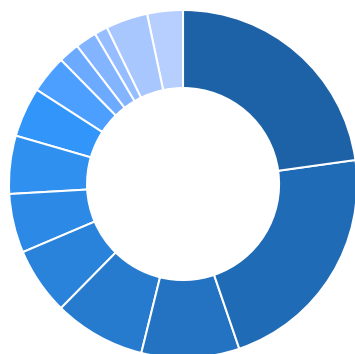
Percentage growth (C GBP cap)	%	Share price as at 31 March 2019	p
31 Mar 2018 – 31 Mar 2019	-4.2	O capitalisation	210.44
31 Mar 2017 – 31 Mar 2018	5.6	C capitalisation	215.39
31 Mar 2016 – 31 Mar 2017	8.8	C distribution	182.17
31 Mar 2015 – 31 Mar 2016	15.4	Z capitalisation	232.78
31 Mar 2014 – 31 Mar 2015	6.8	Z distribution	189.51

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 Mar 2019

Portfolio structure



Asset allocation	%		%
• Industrial Engineering	22.9	• Media	4.6
• Retail	21.9	• Oil and gas	3.4
• Options	9.1	• Real estate	2.1
• Building	8.7	• Industrial services	2.0
• Food & beverage	6.1	• Financial	1.2
• Support services	5.6	• Other	3.8
• Technology	5.4	• Cash	3.4

10 largest of 63 holdings

Stock	% of fund	Stock	% of fund
Tesco	9.6	Finsbury Food	4.5
Volex	9.1	ITV	4.4
FTSE 250 Short ETP	9.1	Castings	4.4
Dixons Carphone	5.4	Headlam	3.8
Games Workshop	4.6	Nexus Infrastructure	3.8

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 **£286.1m**

Fund information

Ongoing Charges Figure %	Cap	Dis	
O class GBP	1.61	na	
C class GBP	1.28	1.28	
Z class GBP	0.15	0.15	
%	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.		

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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 28 February 2019, assets managed by the Ruffer Group exceeded £21.0bn.

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