

Ruffer UK Mid and Smaller Companies

Positive results from UK mid and smaller companies

The fund's C capitalisation shares rose 4.4% from £236.63 to £247.16 in Q2 2020, leaving us down 4.1% for the year to date. The FTSE 250 Total Return index and the FTSE Small Cap Total Return index rose 13.9% and 18.3% respectively for Q2, but remain down 21.1% and 14.8% for the year to date.

The word 'unprecedented' is often overused, but the year so far certainly qualifies for its use. As we mentioned last quarter, the domestic exuberance of the 'Boris bounce' was abruptly halted and the now truly global impact of the coronavirus has touched every market on the planet. The reaction has been an enormous and concerted wave of monetary and fiscal stimulus. Having calmed the initial fears and dampened the shockwaves which exposed liquidity and credit concerns, the markets have 'got back to work'. Much of the debate now centres on whether any real world recovery will be 'u' shaped, 'v' shaped or 'something else' but it is clear that, with much more pronounced moves to perceived good and bad news, volatility is back.

We have remained cautious that the long term outcome still feels anything but rosy and have, in the main, followed the strategy to be buyers of the dips and faders of the rally, but nothing yet big and brave. It is clear to us that most companies will report losses or very low profits this year and that the emergence of cash calls will persist for some time as the last three months of turmoil has blown a huge hole in companies' balance sheets. We have selectively deployed some of our cash to support and add to existing investments such as Kingfisher, Tesco, ITV and Bakkavor whilst also taking opportunities to initiate some new holdings such as SIG, Portmeirion and Velocys.

Going into the crisis, we held a decent amount of our assets in businesses with no debt or minimal debt. Following the coma the economy was placed in, more of our assets are in debt, but it is still the case that 40% of our assets have net cash on the balance sheet or *de minimis* debt. We believe there will be further opportunities as companies wean themselves off the life support furlough and funding schemes and that we have time to deploy our remaining cash wisely and not risk wasting it. The quantum of rubble strewn the floor is the like of which I have never seen before, we must sift through it carefully.

As each week passes, there are more and more operations starting up, but it is clear in many places that these will be muted, and supply constraints will be material. Cost will be higher as operating practises have to change and inflation of key component supply remains a real risk. Additionally, it is our view that into the medium term the majority of business will have to spend a few years restoring their balance sheets into a more sustainable state. Those that have relied on government, a vast number, will have to be careful on the quantum of dividends they pay. Decent yield stocks will be rare.

We remain confident in the overall shape of the portfolio and retain both a direct FTSE 250 short position as well as some S&P September puts to protect us against any further turmoil as the unknown route of the recovery is navigated.

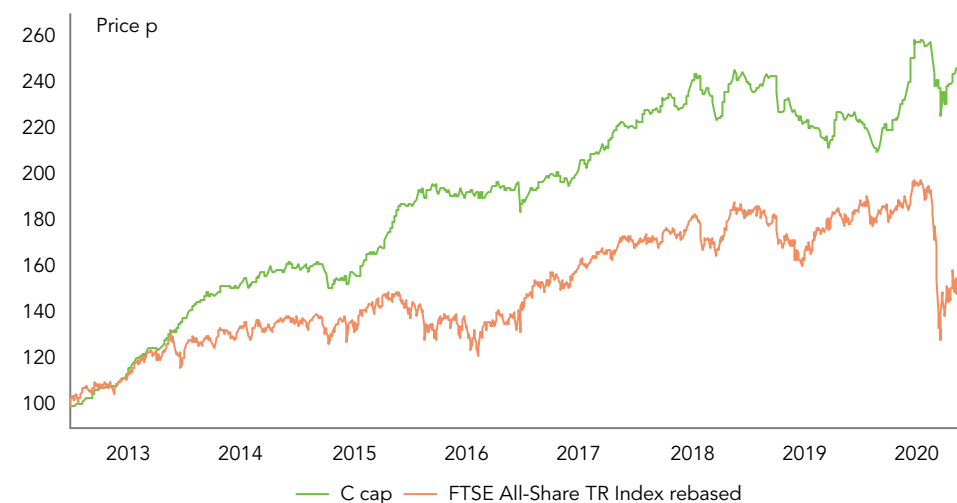
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Investment objective

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 %	Q2	Year to date	1 year	3 years	5 years
C capitalisation shares	4.4	-4.1	10.5	11.7	31.8

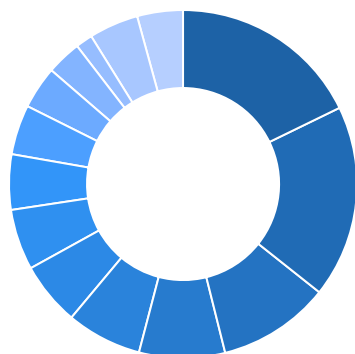
Percentage growth (C GBP cap)	%	Share price as at 30 June 2020	p
30 Jun 2019 – 30 Jun 2020	10.5	O capitalisation	240.43
30 Jun 2018 – 30 Jun 2019	-7.3	C capitalisation	247.16
30 Jun 2017 – 30 Jun 2018	9.1	C distribution	204.92
30 Jun 2016 – 30 Jun 2017	17.8	Z capitalisation	270.97
30 Jun 2015 – 30 Jun 2016	0.1	Z distribution	215.22

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 30 Jun 2020

Portfolio structure



Asset allocation	%		%
• Retail	17.9	• Building	5.2
• Industrial engineering	17.8	• Media	4.6
• Industrial services	10.4	• Support services	3.9
• Bonds	8.0	• Real estate	3.2
• Food and beverage	7.0	• Biotechnology	1.6
• Options	5.9	• Other	4.6
• Oil and gas	5.6	• Cash	4.3

10 largest of 74 holdings

Stock	% of fund	Stock	% of fund
Tesco	9.8	FTSE 250 Short ETP	4.4
UK government 1.5% 2021	8.0	Bakkavor	4.0
Volex	6.0	Games Workshop	3.8
Castings	5.8	ITV	3.1
Balfour Beatty	5.8	BP	3.0

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 **£503.8m**

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 31 May 2020, assets managed by the Ruffer Group exceeded £19.5bn.

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