

# Ruffer UK Mid and Smaller Companies

Positive results from UK mid and smaller companies



December 2017 Issue 67

The fund's C capitalisation shares rose 4.4% from £229.26 to £239.29, whilst the FTSE 250 Total Return index rose 4.0% and the FTSE Small Cap Total Return index rose by 2.7%.

After selling our position in Millennium and Copthorne, which was bid for by their majority holder, we continued to build our positions over the month in a number of companies including Headlam Group, Nexus Infrastructure and Safestyle as well as reinitiating a position in a former holding – Dixons Carphone.

As we move into 2018, we continue to debate what the future may hold. With markets at, or near, all-time highs, the co-ordinated approach of the G7 has massaged the Bull into a Kobe-like state, whilst the Bear is left growling ever deeper in his den. The material rise in asset prices since the credit crisis has left a sour taste in too many mouths, as real incomes have stagnated for a decade and the spoils of quantitative easing have been garnered by the few. A new set of voters has awoken and wants action to put things 'right'. Within equity markets, we can still find stocks on valuations that are historically attractive on earnings multiples and cashflow yields, however, we note that profit margins are high and if something shocks the system the artillery of the G7 looks spent.

Nevertheless, we remain encouraged by opportunities that we have been able to uncover this year. Most of the stocks we own are on modest valuation multiples with strong balance sheets. Additionally, with an ever watchful eye on the Bear, the fund has, for the first time since its launch, established a thematic element through increasing two main areas that we think have defensive qualities for the upcoming year: the food industry and infrastructure, repair, maintain and improve (RMI) sectors.

The UK consumer share of spend on the food basket hit all time lows in H1 of 2017. We believe that on both a relative and absolute basis, retail food spending will rise and this therefore leads to a position of c.20% in the portfolio with names including Tesco, Finsbury Food Group, NWF Group, Produce Investments and Bakkavor. Under the RMI theme and at also c.20% of the fund at year end, we have the likes of Headlam Group, Nexus Infrastructure, Eurocell, Epwin Group and Van Elle. These stocks, in many cases, are on single digit earnings multiples and lowly or ungeared balance sheets.

We sign off 2017 with an 18.2% total return. It should be noted that asset markets had many hurdles to face last year, and at times when we feared a stumble sought some protection through holding cash and a small short position on the FTSE 250 index. We enter 2018 with 2.7% in cash and 5.4% in a straight short on the FTSE 250 market. We add that our caution last year cost the fund 2.2% but find ourselves not able to ignore the Bear. We therefore hope that our stock-picking abilities will help cover the costs of carrying some protection.

## 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 2017	Year to date	1 year	3 years	5 years	10 years
C capitalisation shares	4.4	18.2	18.2	51.2	na	na

Percentage growth (C GBP cap)	%	Share price as at 29 December 2017	£
31 Dec 2016 – 31 Dec 2017	18.2	<b>O capitalisation GBP</b>	<b>234.77</b>
31 Dec 2015 – 31 Dec 2016	6.5	<b>C capitalisation GBP</b>	<b>239.29</b>
31 Dec 2014 – 31 Dec 2015	20.1	<b>C distribution GBP</b>	<b>205.17</b>
31 Dec 2013 – 31 Dec 2014	3.6	<b>Z capitalisation GBP</b>	<b>254.92</b>
31 Dec 2012 – 31 Dec 2013	34.3	<b>Z distribution GBP</b>	<b>212.82</b>

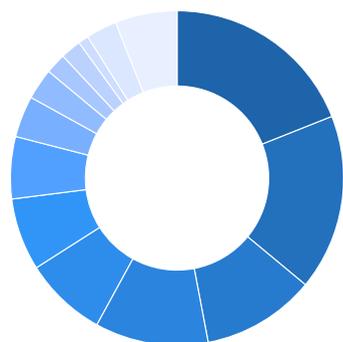
Source: Ruffer LLP

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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 29 Dec 2017

## Portfolio structure



Asset allocation	%		%
• Industrial engineering	19	• Media	4
• Retail	17	• Oil and gas	3
• Food and beverage	11	• Biotechnology	2
• Building	11	• Overseas equity	2
• Support services	8	• Financial	1
• Technology	7	• Other	3
• Options	6	• Cash	6

## 10 largest of 60 equity and 1 bond holdings

Stock	% of fund	Stock	% of fund
Tesco	6.9	Volex	4.4
Finsbury Food	6.7	Castings	4.1
FTSE 250 Short ETP	6.4	ITV	3.5
Games Workshop	5.4	Nexus Infrastructure	3.0
Headlam	4.7	BP	2.9

Source: Ruffer LLP

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## Fund size £327.2m

### Fund information

Ongoing Charges Figure* %	Cap	Dis	
O class GBP	1.66	na	
C class GBP	1.31	1.31	
Z class GBP	0.15	0.15	
%	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 2016

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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 31 December 2017, assets managed by the Ruffer Group exceeded £22.8bn, of which over £14.0bn was managed in open-ended Ruffer funds.

### Enquiries

Ruffer LLP +44 (0)20 7963 8254  
80 Victoria Street rif@ruffer.co.uk  
London  
SW1E 5JL [www.ruffer.co.uk](http://www.ruffer.co.uk)