

Ruffer Fixed Income

Positive returns from fixed income



August 2015 Issue 25

Over the course of the month the fund's C capitalisation shares declined 0.6% from £103.42 to £102.77. The US 10 year Treasury bond yields rose from 2.18% to 2.22%.

Investment markets often suffer the unhelpful phenomenon whereby the apparent solution of one problem brings another unrelated one in its wake; a sort of financial 'whack-a-mole'. No sooner had Greece been deemed solved (for the moment), than a small currency devaluation by the Chinese authorities brought forth a torrent of panic about slowing Chinese economic growth, consequent deflationary risks, and further currency wars. Whether absolutely reliable or not, economic data from China had been pointing to a deceleration in growth for some time, and while falling commodity prices are linked with increased supply, as with shale oil, lower Chinese demand has also been part of the story. These concerns, arriving simultaneously with the latest game of 'will they, won't they?' from the Federal Reserve, served to drive equities sharply lower and to rouse volatility from its previous slumbers.

Although we have long been concerned about the possibility of a major correlated sell-off in which protections could be hard to find, we are not convinced that we are yet at a climactic point. Economic growth remains respectable in the US and UK, and even in the previously beleaguered eurozone, easing credit conditions and falling energy prices are bringing about a recovery of sorts. However, and more worryingly, last month's trading patterns drew attention to the presence in several asset classes of crowded trades and limited liquidity, making the reversal of such positioning only feasible at much lower prices, if at all. The last week of August witnessed several examples whereby sub-sectors of the financial system practically seized up, forcing investors to implement alternate strategies in the absence of being able to execute those originally contemplated. US treasuries also suffered from a perceived 'quantitative tightening', whereby dollar strength causes increased pressure on emerging markets, who are forced to sell USD then sell treasuries with the Federal Reserve no longer mopping up the supply.

Given the fall in inflation expectations (particularly in the US) we have looked to marginally increase exposure to long duration US inflation linked bonds. Whilst long duration bonds could well be vulnerable should Janet Yellen and her fellow members of the Federal Reserve mishandle any future rate rises, breakeven inflation rates offer an attractive entry point. As such any perceived normalisation in nominal rates would potentially be offset by a rising breakeven in the first instance. On the other hand, should the recent gyrations in equity markets worsen there would likely be further demand for duration supporting the long end of the bond market.

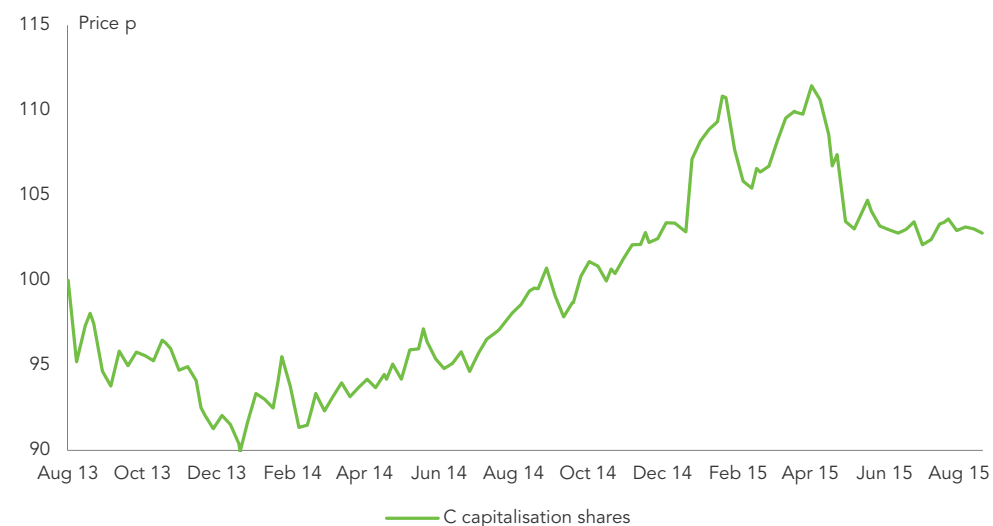
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In line with the Prospectus, it is possible that at any one time Ruffer Fixed Income may invest more than 35% of its assets in transferable securities issued or guaranteed by an EEA state, one or more local authorities, a third country or a public international body to which one or more EEA States belong. The only aforementioned securities were Ruffer would currently consider holding more than 35% would be US government issued transferable securities.

Investment objective

The investment objective of Ruffer Fixed Income is to achieve positive returns from an actively managed portfolio of predominantly fixed-income securities, variable-income securities and related instruments issued by governments and other entities, without geographical restriction.

Performance since launch on 13 August 2013 – C class shares GBP



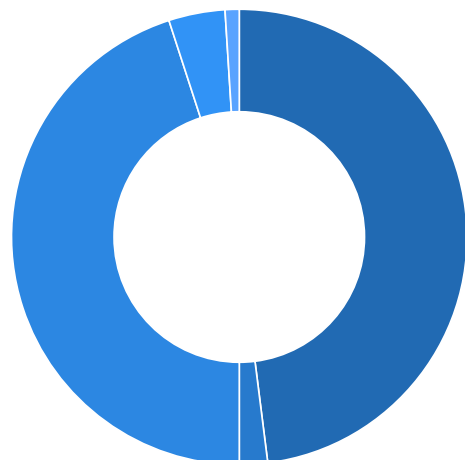
Performance %	August 2015	Year to date	1 year	3 years	5 years	10 years
C capitalisation shares	-0.6	-0.1	3.2	na	na	na
Percentage growth (C GBP cap)		%	Share price as at 31 August 2015		£	
30 Jun 2014 – 30 Jun 2015		7.5	C capitalisation GBP		102.77	
30 Jun 2013 – 30 Jun 2014		na	C distribution GBP		102.77	
30 Jun 2012 – 30 Jun 2013		na	Z capitalisation GBP		105.19	
30 Jun 2011 – 30 Jun 2012		na	Z distribution GBP		104.83	
30 Jun 2010 – 30 Jun 2011		na				

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 Fixed Income as at 31 August 2015

Portfolio structure



	%
• US inflation-linked bonds (0-7 years)	48
• US inflation-linked bonds (7-15 years)	2
• US inflation-linked bonds (over 15 years)	45
• Japan inflation-linked bonds	4
• New Zealand inflation-linked bonds	1

5 largest of 19 bond holdings

Stock	% of fund
US TIPS 0.625% 2021	13.2
US TIPS 2.125% 2041	11.2
US TIPS 0.125% 2022	10.9
US TIPS 0.75% 2042	8.2
US TIPS 0.625% 2043	7.5

Source: Ruffer LLP

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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 £366.8m

Fund information

Ongoing Charges Figure %	Cap	Dis	
C class GBP	1.29	1.29	
Z class GBP	0.15	0.15	
%	O class	C class	Z class
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 Tuesday (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
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Cap	LU0954199336	LU0954198791	LU0954199096
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Dis	LU0954198874	LU0954199252
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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.

Fund Managers

Alex Lennard

INVESTMENT DIRECTOR



Joined Ruffer in 2006 after graduating from Exeter University with an honours degree in economics and finance; he is a member of the Chartered Institute for Securities & Investment. He is co-manager of Ruffer Total Return International.

Marnoch Aston

RESEARCH ANALYST



Joined the Financial Stability Directorate at the Bank of England in 2008, prior to which he was a founding partner of Clematis Capital. He has an MSc in Economics and Finance from Warwick University and joined Ruffer in 2012.

Ruffer LLP

Ruffer LLP manages investments on a discretionary basis for private clients, trusts, charities and pension funds. As at 31 August 2015, assets managed by the Ruffer Group exceeded £18.2bn, of which over £8.8bn was managed in open-ended Ruffer funds.

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