

Ruffer Fixed Income

Positive returns from fixed income



September 2015 Issue 26

Over the course of the month the fund's C capitalisation shares declined 1.1% from £102.77 to £101.66. The US Treasury 10 year bond yield fell from 2.22% to 2.04%.

Against this background the fund's negative performance is surprising. The reason is that the yields on long dated US Treasury inflation protected bonds rose during the month, the benchmark 30 year bond's real yield rising from 1.16% to 1.25% during September. Explanations for this apparent conundrum are divergent investment themes: Federal Reserve 'normalisation' of monetary policy and global inflation expectations.

After six years of virtually zero interest rates and a number of rounds of quantitative easing, markets are anticipating higher rates. The Federal Reserve has two targets, inflation and employment. A simplistic view of the central bank's economic model is that when unemployment is low, inflation should rise and interest rates should follow. With the US unemployment rate fast approaching 5% the model is flashing 'time to put rates up'. Adding to the model's output is the concern that ultra-low interest rates are allowing the build-up of risky behaviour in financial markets which could cause a future bust. The market is of the view that real rates will return to 'normal' that is nominal rates will need to be above inflation to keep a lid on it.

Unfortunately, inflation is not playing ball. At Jackson Hole (the annual get together of monetary policy makers and academics) participants worried that the inflation their models predicted was not appearing. In fact inflation rates are falling all around the world and market-based expectations of future inflation are falling, fast. At its September meeting the Federal Reserve chose not to raise rates, and indicated that they expect the pace or 'normalisation' to be very slow. Markets balked at what they saw as the Fed shying away from action.

Our view is that eventually policy makers will be forced into the conclusion that the cure for low inflation and high debt levels is to hold interest rates below the level of inflation, which will in turn result to real rates being driven much lower. Our positioning reflects our conviction.

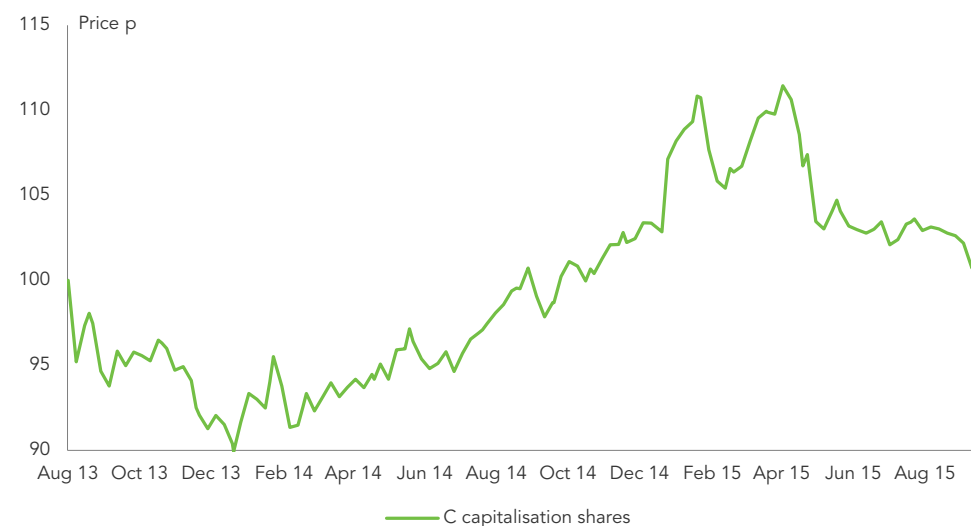
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In line with the Prospectus, it is possible that at any one time Ruffer Fixed Income may invest more than 35% of its assets in transferable securities issued or guaranteed by an EEA state, one or more local authorities, a third country or a public 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 %	September 2015	Year to date	1 year	3 years	5 years	10 years
C capitalisation shares	-1.1	-1.2	3.0	na	na	na

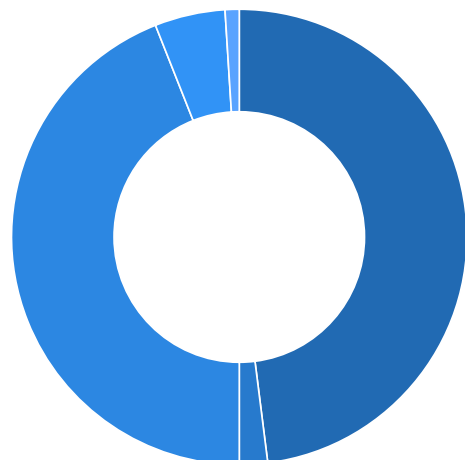
Percentage growth (C GBP cap)	%	Share price as at 30 September 2015	£
30 Sep 2014 – 30 Sep 2015	3.0	C capitalisation GBP	101.66
30 Sep 2013 – 30 Sep 2014	3.9	C distribution GBP	101.66
30 Sep 2012 – 30 Sep 2013	na	Z capitalisation GBP	104.16
30 Sep 2011 – 30 Sep 2012	na	Z distribution GBP	103.81
30 Sep 2010 – 30 Sep 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 30 September 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)	44
• Japan inflation-linked bonds	5
• New Zealand inflation-linked bonds	1

5 largest of 15 bond holdings

Stock	% of fund
US TIPS 0.625% 2021	13.5
US TIPS 2.125% 2041	11.0
US TIPS 0.125% 2022	11.0
US TIPS 0.75% 2042	8.1
US TIPS 0.625% 2043	7.4

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 £363.3m

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
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 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
Cap	LU0954199336	LU0954198791	LU0954199096
Dis	LU0954198874	LU0954199252	

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 30 September 2015, assets managed by the Ruffer Group exceeded £17.7bn, of which over £8.9bn was managed in open-ended Ruffer funds.

Enquiries

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