

# Ruffer Fixed Income

Positive returns from fixed income



December 2015 Issue 29

Over the course of the month the fund's C capitalisation shares fell 0.6% from £102.44 to £101.85. The US Treasury 10 year bond yield rose from 2.21% to 2.27%.

The momentous event in December was the decision by the Federal Reserve to raise the target level of the Federal funds rate from 0-25bps to 25-50bps. This rate represents the cost of money in the world's largest economy and is therefore of immense importance. This is the first time the Fed has raised rates since 2006; never before has the Fed raised rates from such a low level. While the US Federal Reserve proceeded with their largely expected rise in interest rates, there was acute disappointment that the European Central Bank did not expand its asset purchase programme, as many investors had hoped. The immediate upshot of this latter event was violent offsetting moves in eurozone equities, (down), and the euro, (up), thus providing a further worrying example of how crowded certain trades have become. This ensured that December ended on a largely glum note for financial assets.

We are struck by the continued disconnection between investors and the Federal Reserve around the pace of US monetary tightening. At the same time continued low commodity prices could have negative spillover effects on the corporate credit market, an asset class not always notable for plentiful liquidity. Further afield, while the service sector in China is exhibiting signs of stability and even growth, manufacturing there continues to contract, generating fears of further devaluations of the Chinese currency. Away from economics, the lack of breadth and very narrow leadership in the US equity market may well be evidence of a mature stock market cycle. This creates something of a dichotomy for our long held Treasury Inflation Protected Securities. If the Federal Reserve proves successful in bringing about the forecast for further rate rises in the next year, bond yields look vulnerable, however one might expect breakeven inflation expectations to rise to compensate this.

Our central view is not to see 2016 as necessarily catastrophic for economic growth. However profits growth, particularly in the US, has decelerated sharply, and growth in US share buybacks, which has been a key driver in terms of market performance, has ground to a halt. The holy grail of wage inflation, desired by both workers and politicians of all hues, could well damage margins if it materialises, aiding labour at the expense of capital. Furthermore the fact that monetary stimulus appears exhausted in the US, and policy is indeed reversing, has led us for some while to the view that the rate of economic growth desired by politicians and necessary for debt reduction will require a greater role for fiscal policy, which might well raise inflationary expectations.

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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 %	December 2015	Year to date	1 year	3 years	5 years	10 years
C capitalisation shares	-0.6	-1.0	-1.0	na	na	na

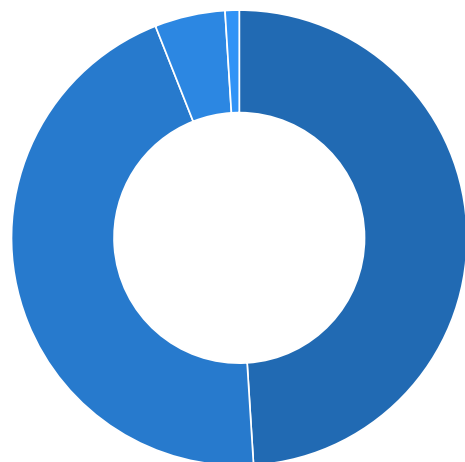
Percentage growth (C GBP cap)	%	Share price as at 31 December 2015	£
31 Dec 2014 – 31 Dec 2015	-1.0	C capitalisation GBP	101.85
31 Dec 2013 – 31 Dec 2014	14.4	C distribution GBP	101.86
31 Dec 2012 – 31 Dec 2013	na	Z capitalisation GBP	104.66
31 Dec 2011 – 31 Dec 2012	na	Z distribution GBP	103.56
31 Dec 2010 – 31 Dec 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 December 2015

## Portfolio structure



	%
• US inflation-linked bonds (0-7 years)	49
• US inflation-linked bonds (over 15 years)	45
• Japan inflation-linked bonds	5
• New Zealand inflation-linked bonds	1

## 5 largest of 18 bond holdings

Stock	% of fund
US TIPS 0.625% 2021	13.4
US TIPS 2.125% 2041	11.5
US TIPS 0.125% 2022	11.5
US TIPS 0.75% 2042	8.5
US TIPS 0.625% 2043	7.8

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 £356.2m

## 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 31 December 2015, assets managed by the Ruffer Group exceeded £18.3bn, of which over £9.3bn 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	<a href="http://www.ruffer.co.uk">www.ruffer.co.uk</a>