

# Ruffer Fixed Income

Positive returns from fixed income

Over the course of the month the fund's C capitalisation shares rose 2.9% from £101.85 to £104.83. The US Treasury 10 year bond yield fell from 2.27% to 1.92%.

The rate hike by the Federal Reserve in December and subsequent speeches by senior policy makers set the scene for gradual but persistent increases in interest rates. The most cited forecast from the Fed was for four twenty five basis point hikes in 2016. Yet markets were pricing in a greater chance of a cut in rates by the end of the year than four rate hikes.

January gave markets even more ammunition to challenge the premise of four rate hikes from the Federal Reserve. There were further worries over Chinese growth and their authorities' ability to control capital flows. Commodity prices took fright, notably oil, which made fresh lows. Correspondingly breakeven inflation rates fell around the world and markets reduced their expectations for US rate hikes even further. The resolution of the difference between the Federal Reserve forecasts and market expectations is one of the greatest challenges this year. It is reminiscent of the situation in Sweden over recent years. Swedish rates currently sit at -0.35%.

Turning to what central banks did during the month. The Federal Reserve did not change rates at its January meeting, and its statement was so anodyne that even the most pedantic of central bank watchers could find no signal. Moving east, the Bank of England, having said that it would consider the need for a rate hike at the turn of the year, did so, and put off thinking about rate hikes for a long time. The European Central Bank did nothing in January, but has been dropping strong hints ever since that it might ease further in March. The Bank of Japan did take action, crossing the Rubicon of zero interest rates.

Rather than charging through, the Bank of Japan dipped its toes in the water of negative rates. Nonetheless their actions represent a reassertion of a belief in the efficacy of monetary policy and that radical monetary measures will be pushed further before the government reaches for the fiscal lever.

Our portfolio reflects a continued belief that the global response to disinflationary lurches will be for nominal interest rates to be set below the rate of inflation, until as the Japanese have put it, the deflationary mind-set is broken. In this context real yields the long end of the US inflation linked market remains attractive to us.

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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.

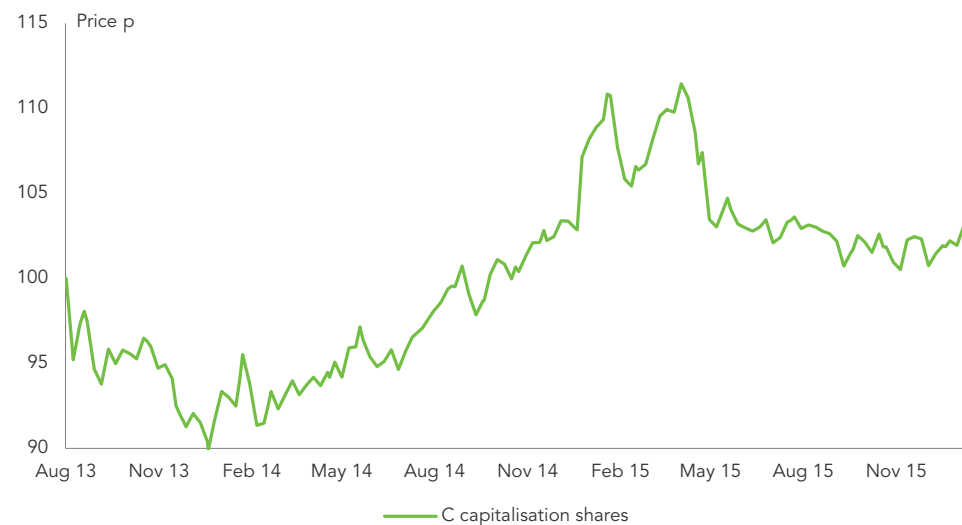


January 2016 Issue 30

## 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 %	January 2016	Year to date	1 year	3 years	5 years	10 years
C capitalisation shares	2.9	2.9	-5.4	na	na	na

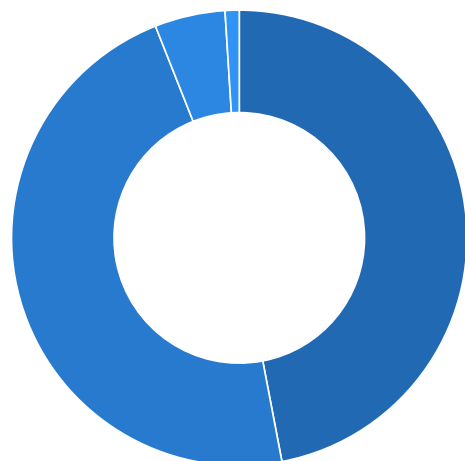
Percentage growth (C GBP cap)	%	Share price as at 29 January 2016	£
31 Dec 2014 – 31 Dec 2015	-1.0	C capitalisation GBP	104.83
31 Dec 2013 – 31 Dec 2014	14.4	C distribution GBP	104.84
31 Dec 2012 – 31 Dec 2013	na	Z capitalisation GBP	107.82
31 Dec 2011 – 31 Dec 2012	na	Z distribution GBP	106.68
31 Dec 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 29 January 2016

## Portfolio structure



	%
• US inflation-linked bonds (0-7 years)	47
• US inflation-linked bonds (over 15 years)	47
• 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	13.7
US TIPS 2.125% 2041	11.9
US TIPS 0.125% 2022	11.8
US TIPS 0.75% 2042	8.8
US TIPS 0.625% 2043	8.1

Source: Ruffer LLP

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The information contained in this document does not constitute investment advice and should not be used as the basis of any investment decision. References to specific securities are included for the purposes of illustration only and should not be construed as a recommendation to buy or sell these securities. Ruffer LLP has not considered the suitability of this fund against any specific investor's needs and/or risk tolerance. If you are in any doubt, please speak to your financial adviser.

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 £356.9m

## 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 January 2016, assets managed by the Ruffer Group exceeded £18.0bn, of which over £9.2bn was managed in open-ended Ruffer funds.

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