

Ruffer Fixed Income

Positive returns from fixed income

Over the course of the month the fund's C capitalisation shares rose 0.1% from £109.19 to £109.26. The US Treasury 10 year bond yield rose from 1.77% to 1.83%.

We have previously remarked, only partly in jest, that in a world where zero interest rates (or even lower) are the norm, eventually the return on other financial assets might turn out to be zero too. Which may explain why so many previously successful hedge funds have now thrown in the towel. So far stock markets appear to be doing their best to adhere to this rather depressing roadmap. After the sharp falls seen across equities earlier this year, aided by either soothing words or inaction from central banks, most markets have made their way back to par, but show little enthusiasm for further gains. A point illustrated by the vast swathes of developed market government bonds now offering negative returns.

Tempting as it is to declare premature vindication of the zero return hypothesis, a more likely explanation lies in investors' uncertainty as to whether we face the perceived failure or normalisation of monetary policy. Unfortunately neither path appears particularly attractive for stock markets. If global growth is strong enough to bear higher interest rates (initially in the US) then dollar strength and rising discount rates may undermine any short term progress. Whilst if monetary policy is seen to have failed, the progression to the likely next step, fiscal intervention, is fraught with dangers against which, in our view, only inflation-linked bonds stand sentry.

As we described in last month's commentary Canada have become the first developed economy to embark on such fiscal expansions. Mr Trudeau's left leaning government have substantially increased their plans for infrastructure spend as well as providing handouts to all families earning less than C\$90,000. This has led us to invest 10% of the fund in long dated Canadian inflation linked bonds. However recent policy moves at the Bank of Japan, where Governor Kuroda must feel he is 'damned if you do, damned if you don't' whichever way he turns. His imposition of negative interest rates earlier this year received a resounding thumbs down from markets (equities down, yen up) so in response he sat on his hands in April, only to find his inaction greeted by the same negative response. We believe such missteps as we have seen recently will merely hasten the path to more reflationary fiscal intervention. This could perhaps come as soon as the G7 meeting hosted in Tokyo at the end of May.

Meanwhile, it would be remiss of us not to pass some comment on the political events playing out. We note that not only are zero interest rates far from a universal panacea for financial markets, but western electorates also seem remarkably resistant to their curative powers. People everywhere are quite angry and are looking for politicians and policies that reflect this mood. Such a move towards populism normally brings with it some unwelcome outcomes, but it also points towards a world less willing to rely on the benevolence of central banks and focused more on the direct intervention of elected governments in striving for either growth or inflation.

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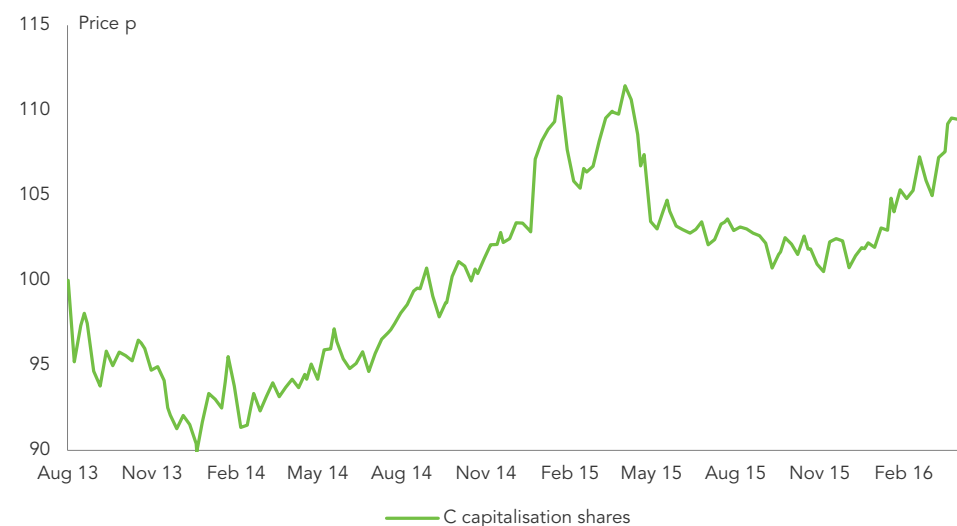


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Investment objective

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 %	April 2016	Year to date	1 year	3 years	5 years	10 years
C capitalisation shares	0.1	7.3	2.4	na	na	na

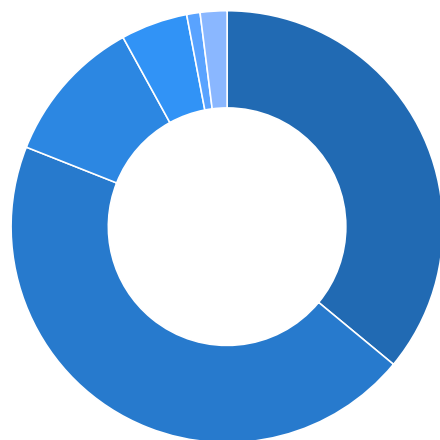
Percentage growth (C GBP cap)	%	Share price as at 30 April 2016	£
31 Mar 2015 – 31 Mar 2016	-0.6	C capitalisation GBP	109.26
31 Mar 2014 – 31 Mar 2015	18.0	C distribution GBP	109.26
31 Mar 2013 – 31 Mar 2014	na	Z capitalisation GBP	112.69
31 Mar 2012 – 31 Mar 2013	na	Z distribution GBP	111.51
31 Mar 2011 – 31 Mar 2012	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 April 2016

Portfolio structure



	%
• US inflation-linked bonds (0-7 years)	36
• US inflation-linked bonds (over 15 years)	45
• Canada inflation-linked bonds (over 15 years)	11
• Japan inflation-linked bonds	5
• New Zealand inflation-linked bonds	1
• Cash	2

5 largest of 20 bond holdings

Stock	% of fund
US TIPS 0.625% 2021	12.8
US TIPS 2.125% 2041	9.6
US TIPS 1.375% 2044	8.5
US TIPS 0.75% 2045	8.0
US TIPS 0.75% 2042	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 £389.3m

Fund information

Ongoing Charges Figure %	Cap	Dis	
C class GBP	1.29	1.28	
Z class GBP	0.13	0.13	
%	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
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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 30 April 2016, assets managed by the Ruffer Group exceeded £18.0bn, of which over £9.5bn 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