

Ruffer Fixed Income

Positive returns from fixed income

Over the course of the month the fund's C capitalisation shares fell 0.6% from £109.26 to £108.56. The US Treasury 10 year bond yield rose from 1.83% to 1.85%.

On the face of it, it was a quiet month with US nominal bond markets virtually unchanged. But the still surface masks strong undercurrents. May saw the release of the minutes of the April Federal Reserve meeting. Markets were surprised by references to the possibility of an increase in interest rates as early as the Federal Reserve's June meeting. Short term rates rose, as would be expected, but ten year rates by less; a curve flattening. Breakeven inflation at the 10 year point fell from 1.70% to 1.58%, explaining our negative performance for the month. The reaction of longer dated bonds and breakeven inflation is not an indication of an economy in full health, nor that a 'normalisation' of policy is likely, or possible.

Other explanations for the flattening of the US yield curve come from the rest of the world. Europe's quantitative easing program is in full flight, with the corporate bond buying program to start in June. Yet, even more so than in the US, market based inflation expectations are showing no signs of heading back towards the European Central Bank's target. Longer term bond yields remain at historically low levels.

In Japan the 'failure' of negative rates, a rising yen and falling stock market, hides the fact that 30 year yield fell by over 100 basis points and those bonds yield less than 0.5%. It is becoming clear that the global environment is having a far greater effect on the US than most policy makers had assumed in the past.

While current events are interesting, our portfolio is built for the long term. Far more interesting for the long term are the debates emerging from recent G20 and G7 meetings. Two interrelated themes are interesting: ceasing competitive devaluations and the limits to monetary policy. Stopping competitive devaluations, which have come as a consequence of monetary policy, leaves countries having to focus on domestic measures. A purely domestic focus with interest rates at their lower bound starts to bring fiscal policy into play. As we mentioned last month, Canada has already started down this path, others with worse debt levels will follow, and it is then that inflation begins to look like an attractive proposition. It is that eventuality that drives our portfolio choices.

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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 where Ruffer would currently consider holding more than 35% would be US government issued transferable securities.

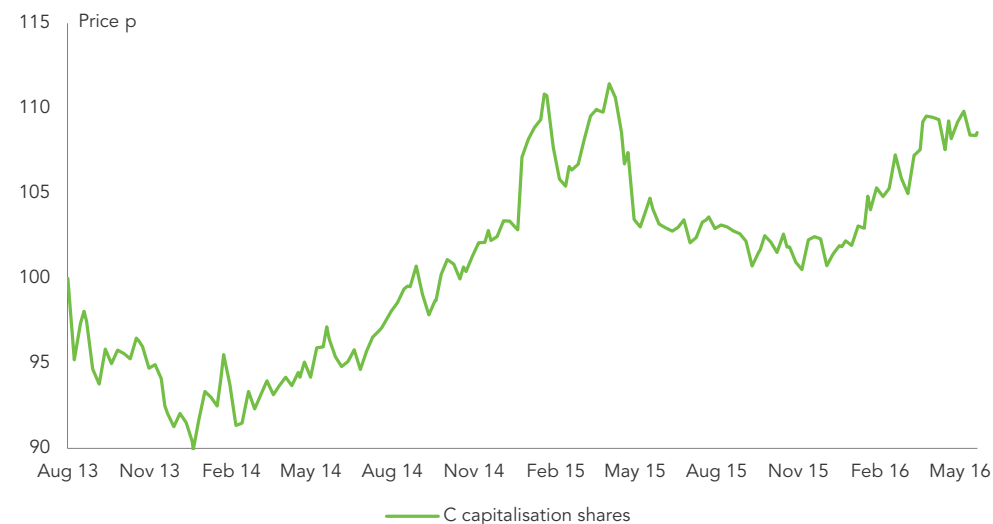


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Investment objective

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 %	May 2016	Year to date	1 year	3 years	5 years	10 years
C capitalisation shares	-0.6	6.6	3.7	na	na	na

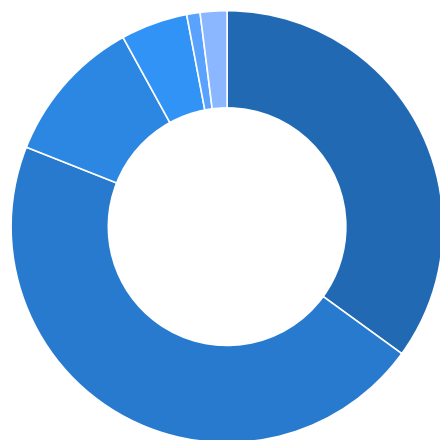
Percentage growth (C GBP cap)	%	Share price as at 31 May 2016	£
31 Mar 2015 – 31 Mar 2016	-0.6	C capitalisation GBP	108.56
31 Mar 2014 – 31 Mar 2015	18.0	C distribution GBP	108.56
31 Mar 2013 – 31 Mar 2014	na	Z capitalisation GBP	112.08
31 Mar 2012 – 31 Mar 2013	na	Z distribution GBP	110.90

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 May 2016

Portfolio structure



	%
• US inflation-linked bonds (0-7 years)	35
• US inflation-linked bonds (over 15 years)	46
• 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	11.6
US TIPS 2.125% 2041	9.7
US TIPS 1.375% 2044	8.6
US TIPS 0.75% 2045	8.1
US TIPS 0.75% 2042	7.9

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 £382.7m

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
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 May 2016, assets managed by the Ruffer Group exceeded £18.2bn, of which over £9.5bn was managed in open-ended Ruffer funds.

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