

# Ruffer Fixed Income

Positive returns from fixed income



July 2016 Issue 36

Over the course of the month the fund's C capitalisation shares rose 1.8% from £114.49 to £116.52. The US Treasury 10 year bond yield fell from 1.47% to 1.45%.

Financial markets have largely continued a similar trajectory after recovering from the turbulence bought about as a result of the UK population's vote to leave the EU, returning to their pre-referendum quiescence. Developed equity markets have continued to make new all-time highs and global bond yields have plunged to new lows.

The global uncertainty has led to both the Bank of Japan and the Bank of England expanding their stimulus efforts, the latter more aggressively than anticipated, the former less so. The Federal Reserve has also continued with their soothing tones, despite the economy showing some signs of strength. We have also seen further steps towards more overt fiscal stimulus, and austerity is fast being eliminated from the political lexicon. This has further supported the environment described above. Indeed the entirety of the Swiss government bond market now trades in negative territory, whilst vast swathes of Japanese government bonds and German bunds also offer investors the prospect of a negative yield for lending the respective issuer money for ten years. This serves to highlight the extraordinary conditions in which we currently operate.

Brexit and fears of electoral revolt may well bring forward fiscal easing but they are unlikely to precipitate a move to overt monetary financing, aka helicopter money. However, we can draw at least three conclusions from recent events. First, politics, and perhaps populism, are set to play a greater role in setting the economic agenda than they have for many decades, and not necessarily to the good. Secondly, as if sensing this, politicians are already moving away from austerity towards more fiscal interventions, with likely implications for inflation and real interest rates. Thirdly, at least for now, ever lower interest rates can still paper over the widening cracks appearing in underlying economies. The first two observations could hold true for some time, the last, we fear, could prove to be illusory. Keeping a firm grasp on the index-linked bonds we believe will be invaluable when negative real interest rates really start to take hold.

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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.

## 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 %	July 2016	Year to date	1 year	3 years	5 years	10 years
C capitalisation shares	1.8	14.4	12.7	na	na	na

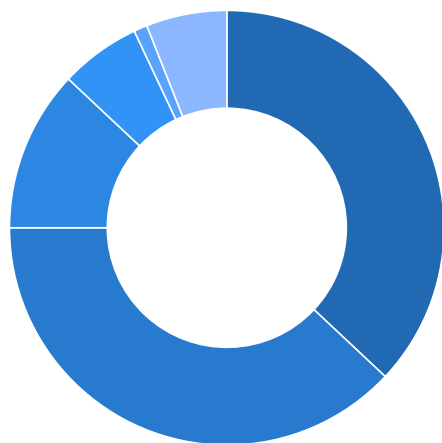
Percentage growth (C GBP cap)	%	Share price as at 31 July 2016	£
30 Jun 2015 – 30 Jun 2016	11.1	C capitalisation GBP	116.52
30 Jun 2014 – 30 Jun 2015	7.5	C distribution GBP	116.52
30 Jun 2013 – 30 Jun 2014	na	Z capitalisation GBP	120.53
30 Jun 2012 – 30 Jun 2013	na	Z distribution GBP	119.26
30 Jun 2011 – 30 Jun 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 31 July 2016

## Portfolio structure



	%
• US inflation-linked bonds (0-7 years)	37
• US inflation-linked bonds (over 15 years)	38
• Canada inflation-linked bonds (over 15 years)	12
• Japan inflation-linked bonds	6
• New Zealand inflation-linked bonds	1
• Cash	6

## 5 largest of 19 bond holdings

Stock	% of fund
US TIPS 0.625% 2021	12.3
US TIPS 0.125% 2022	9.1
US TIPS 0.625% 2043	8.5
US TIPS 0.75% 2045	7.9
US TIPS 1.375% 2044	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 £405.5m

## 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 July 2016, assets managed by the Ruffer Group exceeded £19.2bn, of which over £10.6bn was managed in open-ended Ruffer funds.

## Enquiries

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