

Ruffer Fixed Income

Positive returns from fixed income



August 2016 Issue 37

Over the course of the month the fund's C capitalisation shares rose 0.1% from £116.52 to £116.69. The US Treasury 10 year bond yield rose from 1.45% to 1.58%.

August 2016 was, given last years' shenanigans, relatively quiet. The most notable trend has been that, despite expectations of a US rate hike increasing over the course of the month, the spread between two year and ten year US rates has continued to narrow. In market parlance, the curve has flattened. Some commentators explain this move in terms of flows from abroad. Compared to yields in Japan or Europe, the US ten year yield looks positively heady even at 1.58%. Others say that the bond market is finally coming to terms with the fact that low rates are here to stay.

Whatever the reason the extent of the moves in interest rates over the last few months has us slightly worried. Certainty from financial markets is rarely a good thing, and the market seems unconcerned by a potential Fed hike. A near term bump in the road for fixed income markets would not be a surprise.

Every year, late in August, the Federal Reserve Bank of Kansas hosts a symposium to discuss economic policy, known colloquially as Jackson Hole on account of the location. Many senior central bankers attend and give speeches which are closely parsed for signals over future policy. Prior to this year's symposium John Williams of the San Francisco Fed talked about increasing the inflation target to 4% or changing the objective for central banks. When similar thoughts were raised in 2010, Ben Bernanke, the then Chairman of the Federal Reserve, dismissed them out of hand. This year his replacement, Janet Yellen, said they were worthy of further research. What is clear is that the ground is shifting.

Central banks may well find that this shifting of the ground is the carpet being wrenched from underneath them. More and more commentators are looking to fiscal rather than monetary policy as the solution to economic woes. But whether the stimulus comes in monetary or fiscal form it is clear that higher inflation is likely to be cheered rather than booed and that nominal rates will be held low taking real rates further into negative territory.

That is why we hold our index-linked bonds. While we can see that there will be bumps along the road, the eventual destination is clear 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 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 %	August 2016	Year to date	1 year	3 years	5 years	10 years
C capitalisation shares	0.1	14.6	13.5	19.0	na	na

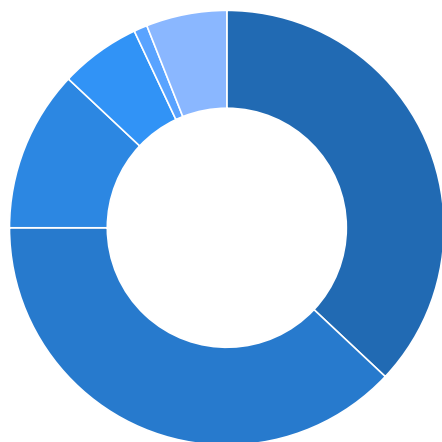
Percentage growth (C GBP cap)	%	Share price as at 31 August 2016	£
30 Jun 2015 – 30 Jun 2016	11.1	C capitalisation GBP	116.69
30 Jun 2014 – 30 Jun 2015	7.5	C distribution GBP	116.69
30 Jun 2013 – 30 Jun 2014	na	Z capitalisation GBP	120.83
30 Jun 2012 – 30 Jun 2013	na	Z distribution GBP	119.56
30 Jun 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 August 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	12.4
US TIPS 0.125% 2022	9.2
US TIPS 2.125% 2041	7.6
US TIPS 1.375% 2044	7.5
US TIPS 0.675% 2043	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 £403.8m

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 August 2016, assets managed by the Ruffer Group exceeded £20.0bn, of which over £10.9bn was managed in open-ended Ruffer funds.

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