

Ruffer Fixed Income

Positive returns from fixed income



September 2016 Issue 38

Over the course of the month the fund's C capitalisation shares rose 0.4% in value from £116.69 to £117.15. The US Treasury 10 year bond yield rose from 1.58% to 1.59%.

In September the US Federal Reserve judged that that 'further evidence of recovery was required' before raising interest rates. This despite unemployment being at its lowest since 2007 and asset prices and household net worth at all-time highs. At a headline level, it appears that promises of 'easing' from central bankers and soothing words from politicians are still sufficient to calm markets on the verge of trouble. The essential problem is that central bankers can control asset prices by printing money, cajoling investors and manipulating interest rates but not the economy. This fundamental disconnection between the economy and markets is growing wider – corporate profits peaked in 2014 and have been trending lower since. Investors are trying to have their cake and eat it – on the one hand they rejoice by contending that lower interest rates means stocks deserve to trade at higher prices, on the other hand they are wilfully blind that the lower rates are locked in place precisely due to grave concerns over future growth (which is the primary driver of future profits).

The relentless crushing of bond yields, weaker sterling and an increasing clamour for fiscal stimulus have been manna for our index-linked bonds which remain our crown jewels. The longest dated issues are up 27% this year (more when the fall in the pound is accounted for) and we have 24% of the portfolio in these bonds. This is both a celebration and a warning; their high sensitivity means future bumpy moments cannot be ruled out. For the time being, expectations of an imminent interest rate rise from the Federal Reserve remain low and the perception that the Bank of Japan and the European Central Bank will continue to suppress bond yields remains unquestioned. Should this dynamic change in the coming months our bonds could prove vulnerable, hence the decision to reduce the portfolios duration over the last few days.

Looking further out, we await an inflationary spark to ignite market tinder. Secular stagnationists see little chance of such a spark in the absence of dedicated fiscal policy.

Please note that Ruffer SICAV is a Luxembourg UCITS and subject to Luxembourg law. Ruffer SICAV is authorised by and subject to the supervisory authority in Luxembourg, the CSSF, and is a scheme recognised by the UK's Financial Conduct Authority (FCA). Ruffer Fixed Income (RFI) is not registered for distribution in any country other than Luxembourg, Switzerland (qualified investors only) and the UK. The fund's prospectus and key investor information documents are provided in English and are available on request or from www.ruffer.co.uk. Ruffer LLP is not able to market RFI in other countries, except under certain exemptions.

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 %	September 2016	Year to date	1 year	3 years	5 years	10 years
C capitalisation shares	0.4	15.0	15.2	23.4	na	na

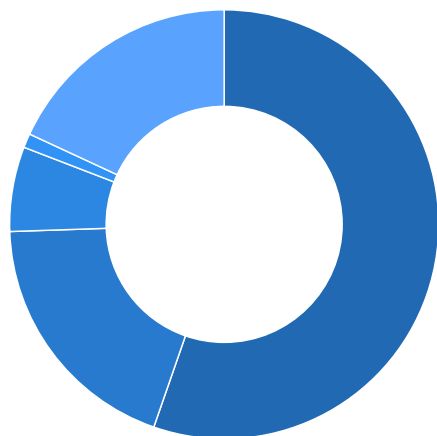
Percentage growth (C GBP cap)	%	Share price as at 30 September 2016	£
30 Sep 2015 – 30 Sep 2016	15.2	C capitalisation GBP	117.15
30 Sep 2014 – 30 Sep 2015	3.0	C distribution GBP	117.15
30 Sep 2013 – 30 Sep 2014	3.9	Z capitalisation GBP	121.42
30 Sep 2012 – 30 Sep 2013	na	Z distribution GBP	120.14
30 Sep 2011 – 30 Sep 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 September 2016

Portfolio structure



	%
• US inflation-linked bonds (0-7 years)	52
• US inflation-linked bonds (over 15 years)	18
• Japan inflation-linked bonds	6
• New Zealand inflation-linked bonds	1
• Cash	17

5 largest of 20 bond holdings

Stock	% of fund
US TIPS 0.625% 2021	12.6
US TIPS 1.25% 2020	10.5
US TIPS 0.125% 2022	9.4
US TIPS 1.875% 2019	7.0
US TIPS 0.125% 2022	5.5

Source: Ruffer LLP

The views expressed in this report are not intended as an offer or solicitation for the purchase or sale of any investment or financial instrument. The views reflect the views of Ruffer LLP at the date of this document and, whilst the opinions stated are honestly held, they are not guarantees and should not be relied upon and may be subject to change without notice.

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.

Notice for Investors in Switzerland: Ruffer SICAV has not been and will not be registered with the Swiss Financial Market Supervisory Authority ('FINMA'). Any offering materials relating to Ruffer SICAV may be made available in Switzerland solely to Qualified Investors as defined in the Swiss Collective Investment Schemes Act of 23 June 2006, as amended. Ruffer SICAV's prospectus, KIIDs, articles of association and the annual and semi-annual reports are available free of charge at the office of the Swiss representative: FundPartner Solutions (Suisse) S.A., Route des Acacias 60 CH – 1211 Geneva 73. Ruffer SICAV's paying agent in Switzerland is Banque Pictet & Cie S.A. of the same address.

Issued by Ruffer LLP, 80 Victoria Street, London SW1E 5JL. Ruffer LLP is authorised and regulated by the Financial Conduct Authority. © Ruffer LLP 2016

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 DIRECTOR



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 September 2016, assets managed by the Ruffer Group exceeded £20.1bn, of which over £11.1bn 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