

Ruffer Fixed Income

Positive returns from fixed income



December 2016 Issue 41

Over the course of the month the fund's C capitalisation shares fell 0.3% from £115.48 to £115.12. The US Treasury 10 year bond yield rose from 1.38% to 2.38%.

An eventful year ended with bond yields marginally off their highs for the year. Market participants continued to bask in the anticipation of a Trump presidency, ignoring possible alarms from the President-elect's potential excursions into trade and foreign policy, while lapping up the Reaganomic possibilities of fiscal stimulus, tax cuts for both corporates and consumers, and some targeted rolling back of regulation.

As 2017 begins, we are wary of the market's apparent keenness to copy across the investment and economic narratives of the early 1980s. Firstly Mr Trump's fiscal plans call for a \$1 trillion stimulus, at a time when US unemployment is 4.6% and wage growth, at 2.5%, is beginning to stir. On top of that any curtailment in immigration into the US will presumably reduce the supply of labour to the much vaunted 'shovel-ready' projects. Tariffs, while crowd-pleasing in the short term, can only be inflationary; it is estimated that around 70% of goods sold at Wal-Mart are sourced from China. The risk of inflation being reignited thus seems to us clear and present. Such a development might well produce a more active US Federal Reserve, keen to re-establish interest rate normality, raising rates faster than investors expect, and thereby offsetting to some degree the effects of fiscal largesse.

This dynamic creates a two-way pull on the portfolios inflation linked assets. In one direction the continued uncertainty about inflation (and its potential resurgence) should continue to support breakeven rates, but in the other bond yields should likely rise in response to this. Whilst we await the inflationary zeitgeist that has worried us for so long now the danger is that bond yields rise at a faster rate in the short term. We are prepared to weather such a dynamic in the first instance, holding lower duration than we have for some time, safe in the knowledge that the global debt dynamics will likely prevent substantially higher rates. This gives us comfort that real rates will need to remain negative for some time to come.

Going forward we will be producing this report on a quarterly basis.

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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 %	December 2016	Year to date	1 year	3 years	5 years	10 years
C capitalisation shares	-0.3	13.0	13.0	28.0	na	na

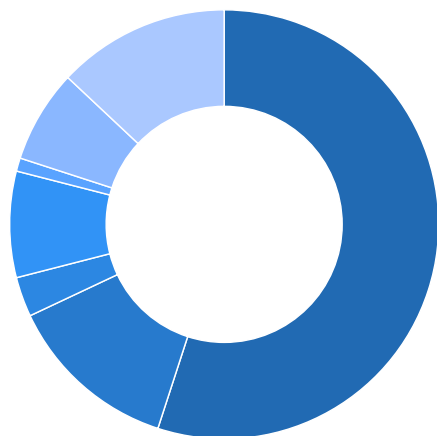
Percentage growth (C GBP cap)	%	Share price as at 30 December 2016	£
31 Dec 2015 – 31 Dec 2016	13.0	C capitalisation GBP	115.12
31 Dec 2014 – 31 Dec 2015	-1.0	C distribution GBP	115.12
31 Dec 2013 – 31 Dec 2014	14.4	Z capitalisation GBP	119.66
31 Dec 2012 – 31 Dec 2013	na	Z distribution GBP	117.37
31 Dec 2011 – 31 Dec 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 December 2016

Portfolio structure



	%
• US inflation-linked bonds (0-7 years)	55
• US inflation-linked bonds (over 15 years)	13
• Japan inflation-linked bonds (0-7 years)	3
• Japan inflation-linked bonds (7-15 years)	8
• New Zealand inflation-linked bonds	1
• Canada inflation-linked bonds	7
• Cash	13

5 largest of 19 bond holdings

Stock	% of fund
US TIPS 0.625% 2021	13.1
US TIPS 1.25% 2020	12.1
US TIPS 0.125% 2022	11.0
US TIPS 1.875% 2019	8.9
US TIPS 0.125% 2022	7.4

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.

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Fund size £403.2m

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 31 December 2016, assets managed by the Ruffer Group exceeded £20.6bn, of which over £11.4bn was managed in open-ended Ruffer funds.

Enquiries

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