

# Ruffer Fixed Income

Positive returns from fixed income



June 2017 Issue 43

Over the course of the quarter the fund's C capitalisation shares fell 1.5% from £114.27 to £113.03. The US Treasury 10 year bond yield fell 6.5 basis points to 2.31%.

A fall in a bond's yield means an increase in its price; this makes it a paradox that the fund should decline in value at the same time as 10 year yields. Yet this seeming paradox mirrors moves in the wider market. The Federal Reserve raised rates during June and indicated its intention to increase interest rates further at future meetings. It also set out its plans to reduce the size of its balance sheet. These developments might have been expected to spook market rates higher. At the short end, particularly in real rates, we did see a move higher and it was these moves which hurt the portfolio. At the longer end of the market, in contrast, the impact of lower oil prices combined with the Fed's apparent willingness to take steps to counteract an anticipated rise in inflation brought foreign investors back into the treasury market and drove down yields.

The Federal Reserve is vocalising its frustration: despite increases in short term rates, financial conditions (broadly speaking long rates, credit spreads, equity markets and the US dollar) have been easing. This puts US bond markets in a dangerous place. If the Federal Reserve wants financial conditions tighter they will continue to take further action until bonds and other assets fall in value. On top of this, we are worried that the market's confidence that the balance sheet can be unwound smoothly is misplaced. For the moment, we are happy to be out of longer-dated US inflation-linked securities while we wait for better prices and a more favourable backdrop.

The US is not alone in this dilemma, as the European economy is currently growing faster than many would believe is consistent with continued low inflation. Meanwhile the European Central Bank (ECB) is committed to buying €60bn of bonds a month until the end of the year. Market participants are starting to question whether this buying, alongside rates of -40 basis points, will have to be changed sooner than the end of the year. Speculation that the ECB might reduce its stimulus is sending jitters through European bond markets. This is worrisome for the rest of the world as European yields have acted as an anchor for global rates.

Our long run view remains that governments will resort to some form of financial repression and this makes inflation-linked bonds highly desirable. In the short run, we see storm clouds above bond markets, and, for the moment, our positioning reflects a desire to avoid near term disturbances.

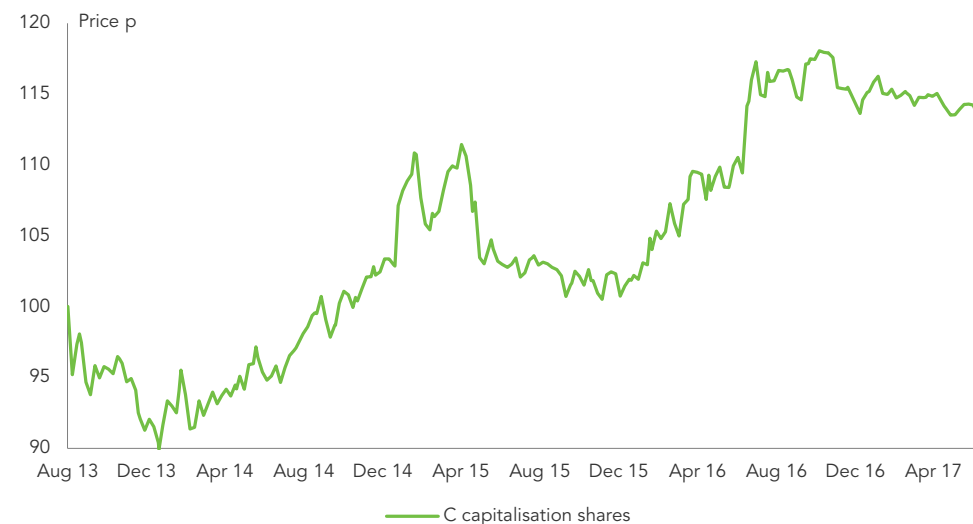
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In line with the Prospectus, it is possible that at any one time Ruffer Fixed Income may invest more than 35% of its assets in transferable securities issued or guaranteed by an EEA state, one or more local authorities, a third country or a public 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 %	June 2017	Year to date	1 year	3 years	5 years	10 years
C capitalisation shares	-1.1	-1.8	-1.3	18.0	na	na

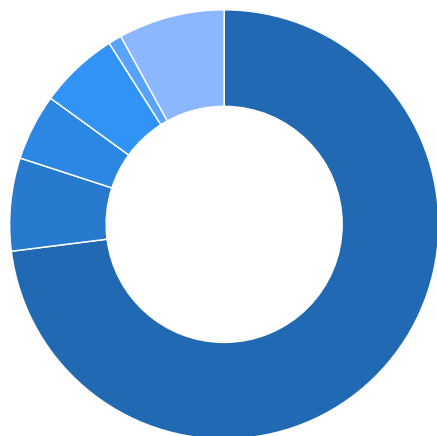
Percentage growth (C GBP cap)	%	Share price as at 30 June 2017	£
30 Jun 2016 – 30 Jun 2017	-1.3	C capitalisation GBP	113.03
30 Jun 2015 – 30 Jun 2016	11.1	C distribution GBP	113.03
30 Jun 2014 – 30 Jun 2015	7.5	Z capitalisation GBP	118.16
30 Jun 2013 – 30 Jun 2014	na	Z distribution GBP	115.90
30 Jun 2012 – 30 Jun 2013	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 June 2017

## Portfolio structure



	%
• US inflation-linked bonds (0-7 years)	73
• Canada inflation-linked bonds	7
• Japan inflation-linked bonds (0-7 years)	5
• Japan inflation-linked bonds (7-15 years)	6
• New Zealand inflation-linked bonds	1
• Cash	8

## 5 largest of 16 bond holdings

Stock	% of fund
US TIPS 0.625% 2021	13.9
US TIPS 1.25% 2020	13.7
US TIPS 0.125% 2022	13.3
US TIPS 1.875% 2019	13.2
US TIPS 0.125% 2022	9.0

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 £381.5m

## Fund information

Ongoing Charges Figure* %	Cap	Dis	
C class GBP	1.28	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 Monday (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.

\* As at 31 December 2016

## 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 June 2017, assets managed by the Ruffer Group exceeded £21.3bn, of which over £12.3bn was managed in open-ended Ruffer funds.

## Enquiries

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