

Ruffer Fixed Income

Positive returns from fixed income



September 2017 Issue 44

Over the course of the quarter the fund's C capitalisation shares fell 1.3% from £113.03 to £111.90. The US Treasury 10 year bond yield rose 2.9 basis points to 2.33%.

The US economy has been steadily improving but, while many new jobs have been created, inflation has remained muted. Despite the absence of obvious inflationary pressure, the Fed appears worried and, as in 2004, has embarked on a hiking cycle before inflation is at target. This poses some risks to real rates, hence our positioning at the shorter end of the inflation linked curve. On top of the rate hikes the Fed have also announced that it will begin shrinking its balance sheet. This means that not only have the taps on the liquidity 'bath' been turned off, but the plug has been pulled as well. The bath is very full, so it might take a little while for ill-advised positions to become exposed! Our projection is that the Fed's tightening into this cyclical upswing will soon expose the structural problems for which inflation is the easiest remedy. When the time comes we will adjust our positions accordingly.

In Europe, the sheer complexity of the economic, political and structural situation means the European Central Bank has been forced into a bewildering array of policy measures. As with the US, the economy is doing well, but inflation is significantly below target. There is speculation in the market about a withdrawal of stimulus. We have no direct exposure, but if anything, Europe is adding to the global tightening theme.

Ruminations over the economic environment and the path of policy dominate in the US and Europe. Japan, quietly stands out from a policy perspective. Its unemployment rate is far below where anyone in Europe could hope for, but, as with the many other places, the economic improvement is showing up seemingly everywhere except in the inflation statistics. In the US, policy has been tightened on the anticipation that, given other observations, inflation should return to target. Given Japan's history with inflation, the Bank of Japan has decided that it cannot rely on the assumption that inflation will gravitate towards its 2% target. Hence the cornerstone of their policy is an 'inflation overshoot commitment', a promise that they will allow inflation to run at or above target through an economic cycle. It is this commitment that underpins our holding and continued liking of Japanese inflation linked bonds.

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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 %	September 2017	Year to date	1 year	3 years	5 years	10 years
C capitalisation shares	-1.3	-2.8	-4.5	13.4	na	na

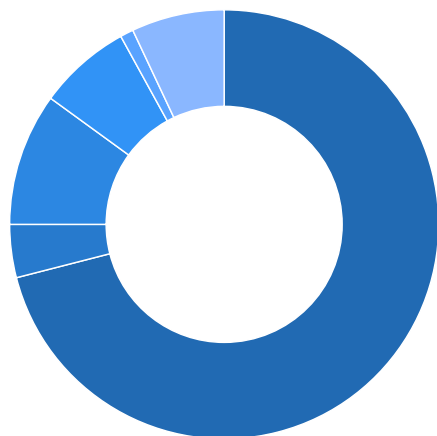
Percentage growth (C GBP cap)	%	Share price as at 30 September 2017	£
30 Sep 2016 – 30 Sep 2017	-4.5	C capitalisation GBP	111.90
30 Sep 2015 – 30 Sep 2016	15.2	C distribution GBP	111.91
30 Sep 2014 – 30 Sep 2015	3.0	Z capitalisation GBP	117.32
30 Sep 2013 – 30 Sep 2014	3.9	Z distribution GBP	115.08
30 Sep 2012 – 30 Sep 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 September 2017

Portfolio structure



	%
• US inflation-linked bonds (0-7 years)	71
• Japan inflation-linked bonds (0-7 years)	4
• Japan inflation-linked bonds (7-15 years)	10
• Canada inflation-linked bonds	7
• New Zealand inflation-linked bonds	1
• Cash	7

5 largest of 16 bond holdings

Stock	% of fund
US TIPS 0.125% 2022	13.8
US TIPS 1.25% 2020	13.4
US TIPS 0.625% 2021	13.0
US TIPS 1.875% 2019	13.0
US TIPS 0.125% 2022	8.9

Source: Ruffer LLP

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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 £376.9m

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 September 2017, assets managed by the Ruffer Group exceeded £21.7bn, of which over £12.9bn was managed in open-ended Ruffer funds.

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