

Ruffer Fixed Income

Positive returns from fixed income



December 2017 Issue 45

Over the course of the quarter the fund's C capitalisation shares rose 0.1% from £111.90 to £112.07. The US Treasury 10 year bond yield rose from 2.33% to 2.41%.

The increase in US Treasury 10 year yields of eight basis points over the last quarter appears negligible next to the 40 basis point rise in two year yields over the same period. This flattening of the yield curve has been much discussed, notably by those who see it as an augury of recession. The movements of the yield curve fit with the Federal Reserve's narrative: they are hiking rates in the short term, whilst ensuring long term interest rate expectations remain contained. This is all noise in the round; our view is that real rates will be much lower than in the past.

As with US nominal rates, the real rates curve has flattened, with those at the short end rising slightly and those at the long end falling. We see a risk that the combination of an already strong economy and a fiscal loosening emboldens the Federal Reserve to raise short term real rates further than they, and markets, currently expect. While the long-run consequences of this tightening on asset prices are likely to lead to much lower real rates, we expect in the first instance that US real yields could increase. Hence our positioning towards the shorter end of the curve.

Elsewhere there was much talk over the quarter of tightening from the European Central Bank (ECB) and the Bank of Japan. In the end, the ECB extended its quantitative easing program at a reduced rate of purchases and the Bank of Japan remains in talking rather than acting mode. Breakeven inflation rates in both jurisdictions increased, which may well encourage the authorities that the medicine is working provided the dosage is maintained.

Overall the US still seems the area of most interest, the Federal Reserve Board is changing shape under a new leader; markets are assuming a smooth transition but the last two changeovers have suffered hiccups.

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 2017	Year to date	1 year	3 years	5 years	10 years
C capitalisation shares	0.1	-2.6	-2.6	9.0	na	na

Percentage growth (C GBP cap)	%	Share price as at 29 December 2017	£
31 Dec 2016 – 31 Dec 2017	-2.6	C capitalisation GBP	112.07
31 Dec 2015 – 31 Dec 2016	13.0	C distribution GBP	112.08
31 Dec 2014 – 31 Dec 2015	-1.0	Z capitalisation GBP	117.84
31 Dec 2013 – 31 Dec 2014	14.4	Z distribution GBP	114.56
31 Dec 2012 – 31 Dec 2013	na		

Source: Ruffer LLP

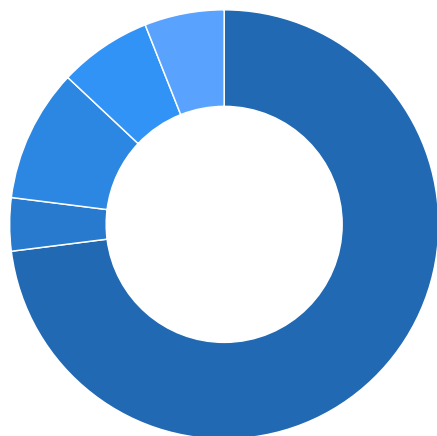
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Ruffer performance is shown after deduction of all fees and management charges, and on the basis of income being reinvested. Past performance is not a guide to future performance. The value of the shares and the income from them can go down as well 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 29 December 2017

Portfolio structure



	%
• US inflation-linked bonds (0-7 years)	73
• Japan inflation-linked bonds (0-7 years)	4
• Japan inflation-linked bonds (7-15 years)	10
• Canada inflation-linked bonds	7
• Cash	6

5 largest of 14 bond holdings

Stock	% of fund
US TIPS 0.125% 2022	14.0
US TIPS 1.25% 2020	13.6
US TIPS 0.625% 2021	13.2
US TIPS 1.875% 2019	13.1
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 £368.9m

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 31 December 2017, assets managed by the Ruffer Group exceeded £22.8bn, of which over £14.0bn was managed in open-ended Ruffer funds.

Enquiries

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