

Ruffer Fixed Income

Positive returns from fixed income



March 2018 Issue 46

Over the course of the quarter, the fund's C capitalisation shares fell 0.9% from 112.07p to 111.06p. The US Treasury ten-year bond yield rose from 2.41% to 2.78%.

It has been a fascinating, if uncomfortable, quarter for financial markets, with most of the action happening in Japan and the US. The reappointment of Haruhiko Kuroda as the head of the Bank of Japan (BoJ) has caused markets to assume that the BoJ will continue its policy of promising to overshoot its 2% inflation target by holding down nominal and consequentially real rates. As a result, our Japanese inflation-linked positions, representing 14.5% of the fund, have performed well. We continue to believe real yields in Japan have much further to run as markets realise the extent of the BoJ's commitment.

In the US, the year began with great hopes for the domestic economy, buoyed by expectations of tax cuts and government infrastructure spending – expansionary fiscal policy that could only continue to fan the flames of an already hot economy. Teamed with the assumptions that the Federal Reserve would raise rates, nominal bond yields, breakeven inflation and the stock market all rose, causing the yield curve to steepen, against the trend of recent years.

This mood changed significantly however, in early February. Economic data pointing to an acceleration of wages, caused expectations of the future path of interest rates to move higher. This rise in bond yields triggered a sharp sell-off in equity markets. The subsequent rise in volatility (and the VIX index), caused a number of products explicitly short volatility to lose nearly all of their value. While policy makers have largely brushed off the events, the damage has been done. Markets are now worried about rising treasury issuance as a result of the wider deficit and the possibility of a trade war with China. The curve has started flattening once again and, in our view, this puts the long end of the US curve at risk. We are happy being positioned at the shorter end of the curve in inflation-protected securities.

During the quarter, we removed our foreign exchange hedge against the US dollar because its weakness has been associated with the recent 'risk-on' behaviour. Part of our reason for holding our short-dated treasury inflation protected securities (TIPS) is they will do well when risk assets do badly and thus, we feel holding them without a currency hedge provides more protection.

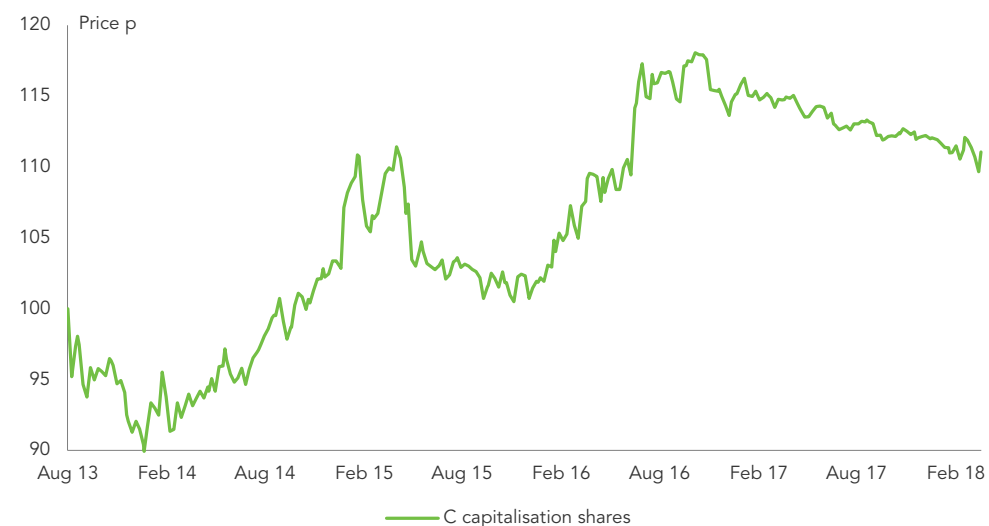
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In line with the Prospectus, it is possible that at any one time Ruffer Fixed Income may invest more than 35% of its assets in transferable securities issued or guaranteed by an EEA state, one or more local authorities, a third country or a public 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 %	March 2018	Year to date	1 year	3 years	5 years	10 years
C capitalisation shares	-0.9	-0.9	-3.2	1.1	na	na

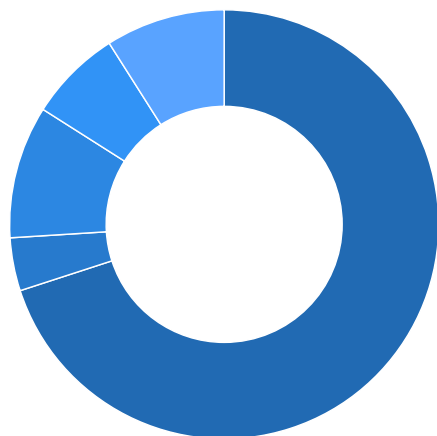
Percentage growth (C GBP cap)	%	Share price as at 29 March 2018	£
31 Mar 2017 – 31 Mar 2018	-3.2	C capitalisation GBP	111.06
31 Mar 2016 – 31 Mar 2017	5.1	C distribution GBP	111.07
31 Mar 2015 – 31 Mar 2016	-0.6	Z capitalisation GBP	117.11
31 Mar 2014 – 31 Mar 2015	18.0	Z distribution GBP	113.86
31 Mar 2013 – 31 Mar 2014	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 31 March 2018

Portfolio structure



	%
• US inflation-linked bonds (0-7 years)	70
• Japan inflation-linked bonds (0-7 years)	4
• Japan inflation-linked bonds (7-15 years)	10
• Canada inflation-linked bonds	7
• Cash	9

5 largest of 14 bond holdings

Stock	% of fund
US TIPS 0.125% 2022	13.6
US TIPS 1.25% 2020	13.3
US TIPS 0.625% 2021	12.9
US TIPS 1.875% 2019	12.9
US TIPS 0.125% 2022	8.8

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 £363.5m

Fund information

Ongoing Charges Figure* %	Cap	Dis	
C class GBP	1.28	1.28	
Z class GBP	0.14	0.14	
%	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
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Cap	LU0954199336	LU0954198791	LU0954199096
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Dis	LU0954198874	LU0954199252
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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 22 January 2018

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 March 2018, assets managed by the Ruffer Group exceeded £22.0bn, of which over £13.6bn 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