

# Ruffer Fixed Income

Positive returns from fixed income



June 2018 Issue 47

Over the course of the quarter, the fund's C capitalisation shares rose 4.6% from 111.06p to 116.19p. The US Treasury ten-year bond yield rose from 2.78% to 2.86%.

US tax cuts provided another push to an already buoyant economy. The Federal Reserve proceeded with a further interest rate hike in June, the seventh rise since the turning of the cycle in 2015, with additional hikes expected this year and the next which have caused market rates, both nominal and real, to increase. The movements have been greater in shorter-dated bonds and, as a result, the yield curve has flattened. This flattening is causing much angst amongst market commentators over whether an inverted curve heralds a recession which it has frequently in the past.

Reflecting the stronger economy, US inflation, as measured by the Consumer Price Index, has reached 2.8% and some commentators are indicating that further rises are possible. This inflationary backdrop is increasing the income on our short-dated US TIPS which is partially offsetting the rise in real interest rates, but the dominant driver of returns has been the strength of the dollar. Having spent 2017 weakening, the actuality of rate hikes in the US and a softening of economic data in Europe, saw the dollar rally by more than 6.5% against sterling and by 5.2% against the euro over the quarter. We favour the short-end TIPS which can benefit from realised inflation and also a Federal Reserve that suddenly finds it necessary to change course.

During the quarter, we sold our position in long-dated Canadian inflation-linked bonds. When we originally purchased the bonds, Canada was becoming the first major western economy to break ranks and favour fiscal expansion as opposed to crossing the Rubicon of negative rates or embarking on quantitative easing. Since then, as the global and Canadian economies have improved, the need for stimulus has dwindled to the extent that the Bank of Canada has been able to raise rates and the fiscal situation is now one of the best in the developed world. As a result, we decided to sell our bonds – although this is not to say that Canada will not be interesting again before too long. We also switched our shortest-dated Japanese inflation-linked bond into the newly issued ten-year bond to maintain our duration.

Please note that Ruffer SICAV is a Luxembourg UCITS and subject to Luxembourg law. Ruffer SICAV is authorised by and subject to the supervisory authority in Luxembourg, the CSSF, and is a scheme recognised by the UK's Financial Conduct Authority (FCA). Ruffer Fixed Income (RFI) is not registered for distribution in any country other than Luxembourg and the UK. The fund's prospectus and key investor information documents are provided in English and are available on request or from [www.ruffer.co.uk](http://www.ruffer.co.uk). Ruffer LLP is not able to market RFI in other countries, except under certain exemptions.

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 2018	Year to date	1 year	3 years	5 years	10 years
C capitalisation shares	0.5	3.7	2.8	12.8	na	na

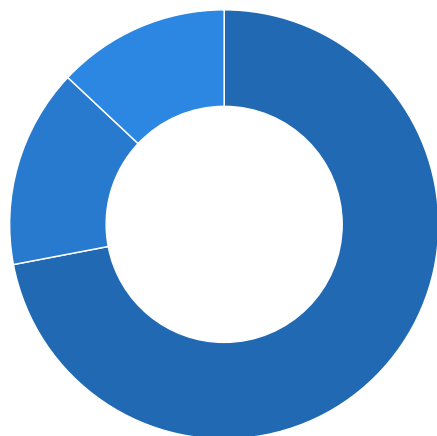
Percentage growth (C GBP cap)	%	Share price as at 30 June 2018	£
30 Jun 2017 – 30 Jun 2018	2.8	C capitalisation GBP	116.19
30 Jun 2016 – 30 Jun 2017	-1.3	C distribution GBP	116.20
30 Jun 2015 – 30 Jun 2016	11.1	Z capitalisation GBP	122.86
30 Jun 2014 – 30 Jun 2015	7.5	Z distribution GBP	119.45
30 Jun 2013 – 30 Jun 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 30 June 2018

## Portfolio structure



	%
• US inflation-linked bonds (0-7 years)	72
• Japan inflation-linked bonds (7-15 years)	15
• Cash	13

## 5 largest of 10 bond holdings

Stock	% of fund
US TIPS 0.125% 2022	14.2
US TIPS 1.25% 2020	13.8
US TIPS 0.625% 2021	13.4
US TIPS 1.875% 2019	13.3
US TIPS 0.125% 2022	9.2

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 £372.7m

## 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 last calendar 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 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 30 June 2018, assets managed by the Ruffer Group exceeded £22.3bn.

## Enquiries

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