

Ruffer Fixed Income

Positive returns from fixed income



December 2018 Issue 49

Over the course of the quarter, the fund's C capitalisation shares rose 2.3% from 116.70p to 119.41p. The US Treasury ten year bond yield fell from 3.06% to 2.69%.

Front month Brent oil futures fell from \$83 to \$53, and as oil has a strong relationship with inflation, breakeven inflation has fallen in the US. As an example, five year breakeven inflation has fallen from just above 2% to just below 1.5% over the quarter. So while ten year nominal rates fell, the equivalent real yield increased over the quarter. Contemporaneous to the fall in oil has been equity market turmoil: the S&P 500 index of US stocks fell by just short of 14% on the quarter. So, despite the unemployment rate remaining at historic lows and fiscal stimulus continuing, calls from some commentators for rates to go no higher are becoming ever louder.

The US Federal Reserve held its nerve and hiked in December, but the communication strategy has shifted. They are pointing out that rates are now at the bottom of the range, which committee members view as neutral for the economy, so moves from here are not going to be as predictable as they have been in the recent past. The difference between ten year and two year swap rates is virtually zero and futures markets are pricing in one more hike before rates head lower.

The fund has been active, inflows in October were equally divided between two year and five year TIPS as we felt that they offered good value. In November, 30 year TIPS were added as their yields looked high, especially given the equity market turmoil that was unfolding. With the equity sell off continuing and short-dated real yields being relatively unresponsive, further inflows were spent on five year TIPS and any remaining two year bonds switched into the five year sector. All new purchases were FX hedged back into sterling.

The quarter's activity leaves the fund positioned to do very well if the Federal Reserve is forced to reverse its rate hikes, but the 50 basis point fall in breakeven inflation provides protection should oil and financial markets recover their poise.

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 2018	Year to date	1 year	3 years	5 years
C capitalisation shares	1.0	6.5	6.5	17.2	32.8

Percentage growth (C GBP cap)	%	Share price as at 31 December 2018	p
31 Dec 2017 – 31 Dec 2018	6.5	C capitalisation	119.41
31 Dec 2016 – 31 Dec 2017	-2.6	C distribution	119.42
31 Dec 2015 – 31 Dec 2016	13.0	Z capitalisation	126.99
31 Dec 2014 – 31 Dec 2015	-1.0	Z distribution	123.02
31 Dec 2013 – 31 Dec 2014	14.4		

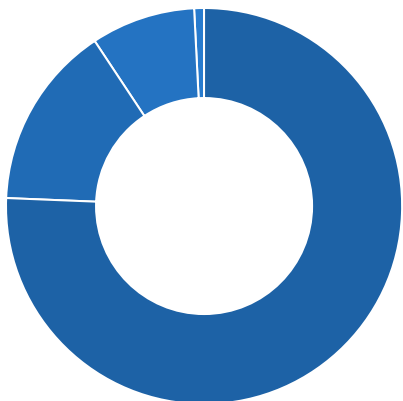
Source: Ruffer LLP

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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 31 Dec 2018

Portfolio structure



Asset allocation	%
US inflation-linked bonds (0-7 years)	75.6
US inflation-linked bonds (15-30 years)	15.1
Japan inflation-linked bonds (7-15 years)	8.5
Cash	0.8

5 largest of 16 bond holdings

Stock	% of fund
US Govt 0.625% 2024	11.1
US TIPS 0.125% 2024	11.0
US Govt 0.25% 2025	10.5
US Govt 0.375% 2025	10.2
US Govt 0.375% 2023	8.6

Source: Ruffer LLP. Pie chart totals may not equal 100 due to rounding.

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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 £704.8m

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
Max annual management charge	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		
Investment manager	Ruffer LLP		
Management company, administrative agent, registrar and transfer agent, paying and domiciliary agent	FundPartner Solutions (Europe) S.A.		
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.



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 November 2018, assets managed by the Ruffer Group exceeded £21.1bn.

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