

Ruffer Fixed Income

Positive returns from fixed income



March 2019 Issue 50

Over the course of the quarter the fund's C capitalisation shares declined 0.6% from £119.41 to £118.74. The US Treasury 10 year bond yield fell from 2.69% to 2.41%.

It has been an extraordinary quarter for fixed income markets, beginning on 4 January with the Federal Reserve chair, Jerome Powell, acting to calm the equity market by saying the Fed would be patient in raising rates. This shift and similarly calming noises on the balance sheet was enough to prompt a bounce in markets. The policy meeting at the end of the month matched the January speech in tone. By the time the March meeting came around, the forecast was there would be no further rate rises this year and it was confirmed the Fed would stop shrinking the size of its balance sheet in September of this year. The about-turn in policy from December to the end of this quarter was very swift.

The Fed did have reason to move to a more neutral stance as some economic data began to weaken, but other data, most notably on the labour market, remained strong.

Intertwined with the economic and near term policy moves has been more detail on the policy review by the Fed. The vice-chair, Clarida, has announced the review will look at: whether policymakers should allow inflation to overshoot the target in order to make up for past misses on the downside, what monetary policy tools should be considered, and how policy could be communicated. Although nothing has been announced, some commentators are suggesting rates might not move up, even if the economy picks back up.

Risk assets bounced hard with the S&P 500 up over 13% during the quarter. Real yields fell dramatically, most notably at the short end as the oil price bounced. The nominal yield curve inverted, which created a lot of noise about recession risk. The short end of the US curve started to price in rate cuts. Despite the economic and market developments on that side of the Atlantic, Europe has been faring even worse and the European Central Bank is making noises about easing policy. As a result, to many people's surprise, the US dollar has remained stubbornly strong.

Towards the end of the quarter, the fund sold all of its thirty and five year TIPS to move into shorter-dated TIPS and very short-dated nominal bonds. Our reasoning was that while the Fed has undoubtedly shifted its position to neutral, there is nothing currently in the US economic data that suggests the need to cut rates. As the fixed income market is now pricing in cuts, it seems to us to have gone too far too fast, so it is prudent to take out the duration risk we put into the portfolio early in the fourth quarter of last year. We also increased our short position in the US dollar.

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 2019	Year to date	1 year	3 years	5 years
C capitalisation shares	0.7	-0.6	8.3	8.7	27.5

Percentage growth (C GBP cap)	%	Share price as at 29 March 2019	p
31 Mar 2018 – 31 Mar 2019	8.3	C capitalisation	118.74
31 Mar 2017 – 31 Mar 2018	-4.4	C distribution	118.75
31 Mar 2016 – 31 Mar 2017	5.1	Z capitalisation	126.63
31 Mar 2015 – 31 Mar 2016	-0.6	Z distribution	122.68
31 Mar 2014 – 31 Mar 2015	18.0		

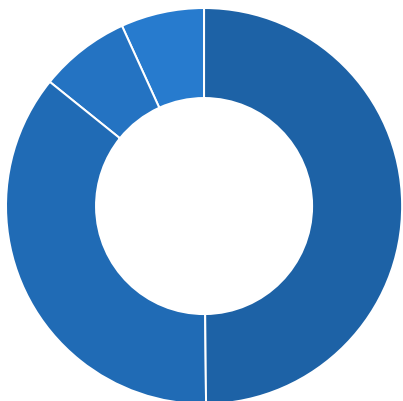
Source: Ruffer LLP

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.

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Ruffer Fixed Income as at 29 Mar 2019

Portfolio structure



Asset allocation	%
US Short-dated Government bonds	49.8
US inflation-linked bonds (0-7 years)	36.0
Japan inflation-linked bonds (7-15 years)	7.4
Cash	6.8

5 largest of 14 bond holdings

Stock	% of fund
US government bonds 1.75% 2019	11.7
US government bonds 2.0% 2020	11.2
US government bonds 1.375% 2019	11.2
US TIPS 1.250% 2020/07	10.6
US government bonds 2.25% 2020	8.5

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

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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 £785.5m

Fund information

Ongoing Charges Figure %	Cap	Dis	
C class GBP	1.27	1.27	
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.		

Fund Manager

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 28 February 2019, assets managed by the Ruffer Group exceeded £21.0bn.

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