

# Ruffer Fixed Income

## Positive returns from fixed income

Over the course of the quarter the fund's C capitalisation shares fell 1.0% from £118.74 to £117.62. The US Treasury ten year bond yield fell from 2.4% to 2.0%.

Given the move in US ten year rates, it might seem strange to start this commentary with the Bank of Japan's Comprehensive Assessment of Monetary policy in September 2016. It was this document which outlined that in Japan inflation expectations were following realised inflation and not the central bank's target. So the fact the consumer price index in both the US and Europe has fallen by over one percentage point, coupled with ten year market based inflation measures falling by 40 and 60 basis points respectively is causing alarm in global policy circles. Low realised inflation and falling inflation expectations are the key drivers of policy and markets for now.

In the US, the Federal Reserve's policy stance has followed the inflation statistics: from Powell stating policy was 'a long way from neutral' when inflation was above target in October; to patient in the early part of the year, and now; a definitive easing bias. Ten year breakeven inflation has fallen from 1.94% to 1.7%. The recent rise in the oil price (driven by tensions in the Gulf) has taken breakeven inflation off its low this quarter of 1.62%. But the bounce in breakeven inflation has been far less than the historical relationship which the oil price would suggest. The chatter around the Federal Reserve's year-long review of its policy framework has been replaced by questions over how much the Fed will cut rates. Markets are pricing in total cuts of over 1% which have benefited our short dated nominal bonds. Our short-dated TIPS did well, but lagged the nominals driving the break-even inflation lower. We took the opportunity presented by lower break-evens to increase our weighting in short-dated TIPS.

The US dollar is weaker against most major currencies, though not against sterling, as markets digest the Federal Reserve's policy stance. The weaker US dollar coupled with falling realised and expected inflation in Europe has meant that the European Central Bank has had to start the debate about what form more easing might take before it even had a chance to tighten policy. Markets seemed focused on the prospect of even more negative rates and what that might do for yield curves and the currency.

Japan is again considering its own policy options in light of its own domestic situation, as well as the global outlook. What is clear is that, with market based inflation expectation barely different from zero, some sort of policy response is needed. We continue to hold our Japanese inflation-linked bonds and have maintained our duration exposure by rolling into the most recently issued ten year bond.

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## 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 %	Q2	Year to date	1 year	3 years	5 years
C capitalisation shares	-1.0	-1.5	1.2	2.7	22.8

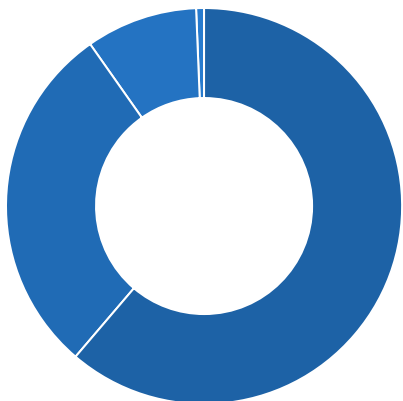
Percentage growth (C GBP cap)	%	Share price as at 28 June 2019	p
30 Jun 2018 – 30 Jun 2019	1.2	C capitalisation	117.61
30 Jun 2017 – 30 Jun 2018	2.8	C distribution	117.62
30 Jun 2016 – 30 Jun 2017	-1.3	Z capitalisation	125.79
30 Jun 2015 – 30 Jun 2016	11.1	Z distribution	121.86
30 Jun 2014 – 30 Jun 2015	7.5		

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 28 Jun 2019

## Portfolio structure



Asset allocation	%
US inflation-linked bonds (0-7 years)	61.2
US short-dated government bonds	29.1
Japan inflation-linked bonds (7-15 years)	9.0
Cash	0.7

## 5 largest of 12 bond holdings

Stock	% of fund
US TIPS 1.250% 2020	17.8
US TIPS 1.125% 2021	16.4
US government bonds 0.125% 2021	15.8
US government bonds 0.125% 2020	11.2
US government bonds 1.75% 2019	8.2

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 £688.2m

## 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 31 May 2019, assets managed by the Ruffer Group exceeded £20.6bn.

## Enquiries

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