

# Ruffer Fixed Income

Positive returns from fixed income



September 2019 Issue 52

Over the course of the quarter, the fund's C capitalisation shares fell 1.8% from £117.62 to £115.48. The US Treasury ten year bond yield fell from 2.01% to 1.66%.

Fixed income markets are generally obsessed with the words and actions of central bankers, but of late it has been geopolitics, and specifically the trade war between the US and China, which has provided the impetus for moves in US fixed income markets. The market seems willing to look through both the near term impact on prices and the longer term inflationary impact of a supply shock, to focus on the impact on US growth. So it was President Trump's escalation of tariffs on goods imported from China in early August followed by the People's Bank of China (PBOC) allowing the Chinese currency to depreciate though the significant level of 7 yuan to the US dollar set off a precipitous fifty basis point fall in US ten year rates. Of course the Federal Reserve played its part as well. Concurrent with the trade war escalation came the long awaited first rate cut of the cycle. However at the press conference the chair, Jerome Powell, characterised the move as a 'mid-cycle adjustment' rather than the first of many cuts. In making this assessment Powell seemed out of step with markets' concerns which had been helping drive rates lower.

August's worries were somewhat assuaged in September by more conciliatory remarks on trade, a further rate cut and a move away from the 'mid-cycle adjustment' rhetoric at the press conference. US ten year nominal rates moved higher by forty basis points only to move lower again by the end of the quarter. Real enthusiasts have also been thinking about what the gyrations in the normally dull US treasury repo market mean for bond markets, but we will have to wait for the Federal Reserve's long term policy response to know. Despite September's move up in rates, bond markets are pricing in further significant near term rate cuts and that policy rates will be below targeted inflation for at least ten years. What this means is most of the US fixed income market is too rich for us and so we have focused our US holdings on short dated TIPS which we believe under-price a bounce back in US inflation.

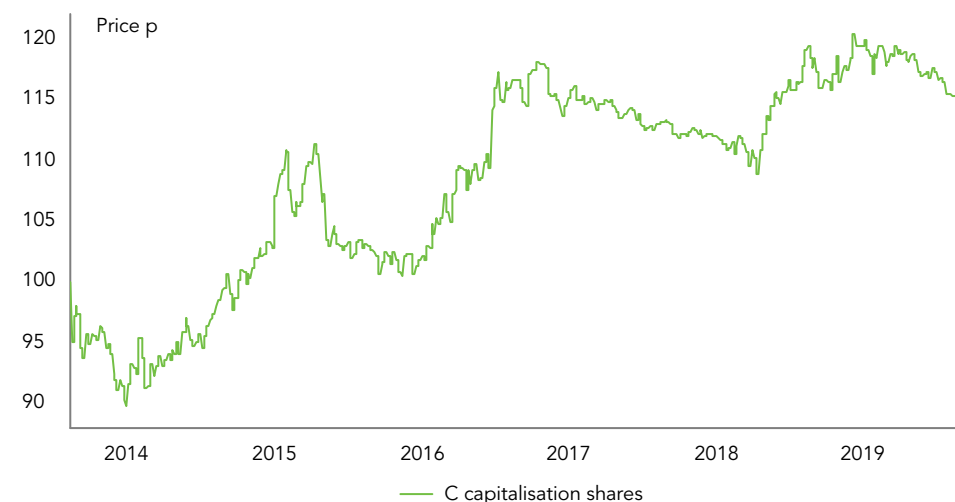
In Europe, the European Central Bank (ECB) announced its latest easing package which included cutting rates further into negative territory. Some commentators have brought up whether the side effects of the ECB's actions beyond the zero lower bound are worth the potential remedy they bring. The same debate is happening in Japan. But until mandates change or inflation rises we can expect further action and hence we continue to hold our Japanese inflation linked exposure.

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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 %	Q3	Year to date	1 year	3 years	5 years
C capitalisation shares	-1.8	-3.3	-1.0	-1.4	17.0

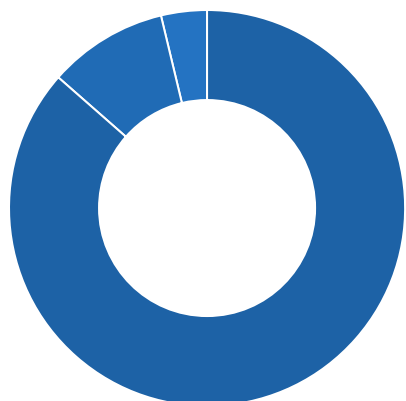
Percentage growth (C GBP cap)	%	Share price as at 30 September 2019	p
30 Sep 2018 – 30 Sep 2019	-1.0	<b>C capitalisation</b>	<b>115.48</b>
30 Sep 2017 – 30 Sep 2018	4.3	<b>C distribution</b>	<b>115.49</b>
30 Sep 2016 – 30 Sep 2017	-4.5	<b>Z capitalisation</b>	<b>123.87</b>
30 Sep 2015 – 30 Sep 2016	15.2	<b>Z distribution</b>	<b>120.00</b>
30 Sep 2014 – 30 Sep 2015	3.0		

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.

# Ruffer Fixed Income as at 30 Sep 2019

## Portfolio structure



Asset allocation	%
US inflation-linked bonds (0-7 years)	86.5
Japan inflation-linked bonds (7-15 years)	9.8
Cash	3.7

## 5 largest of 8 bond holdings

Stock	% of fund
US TIPS 1.250% 2020	20.2
US government 0.125% 2021	19.2
US TIPS 1.125% 2021	19.1
US TIPS 0.625% 2021/07	14.4
US government bonds 0.125% 2020	13.6

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 £650.2m

## 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 August 2019, assets managed by the Ruffer Group exceeded £20.7bn.

## Enquiries

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