

# Ruffer Fixed Income

Positive returns from fixed income



December 2019 Issue 53

Over the course of the quarter, the Fund's C capitalisation shares rose 2.5% from £115.48p to £118.37p. The US Treasury ten-year bond yield rose from 1.66% to 1.92%.

2020 is a US presidential election year and market perceptions are that the central bank would prefer not to be making the headlines in such a politically heady atmosphere. So the market has been looking for much to get settled in the last quarter of 2019.

The Federal Reserve cut rates in October and chose to do nothing in December, as markets had been expecting. At the press conference following the December meeting Jerome Powell, the Chair of the Federal Reserve, signalled that it would take a big move away from current expectations on growth and inflation to get the Federal Reserve to move rates again in the near future. On one side of the outlook this implies that the Federal Reserve does not see a material weakness in the economy. But the market has latched onto Chair Powell's follow up "a significant move-up in inflation that's also persistent before raising rates to address inflation concerns". The market's interpretation of this comment is that the Federal Reserve is prepared to let the economy run hot.

Against the dovish message from the Federal Reserve it might seem strange that the ten year nominal yield rose over the period. But this rise and the steepening of the yield curve should be seen as the market giving credibility to the Federal Reserve's stance. It makes us wary of owning duration. What is more interesting to us are short dated real yields, which were still above zero. And while two year breakeven inflation rose from 1.3% to 1.47% over the period it is still well below the Federal Reserve's target. So we have switched all of our US holdings into short dated TIPS.

We continue to hold our inflation linked Japanese Government Bonds. With the relevant inflation measure at 0.6% and nominal 10 year yields negative, -0.2% yields on inflation linked bonds look cheap to us and provide a positive running yield.

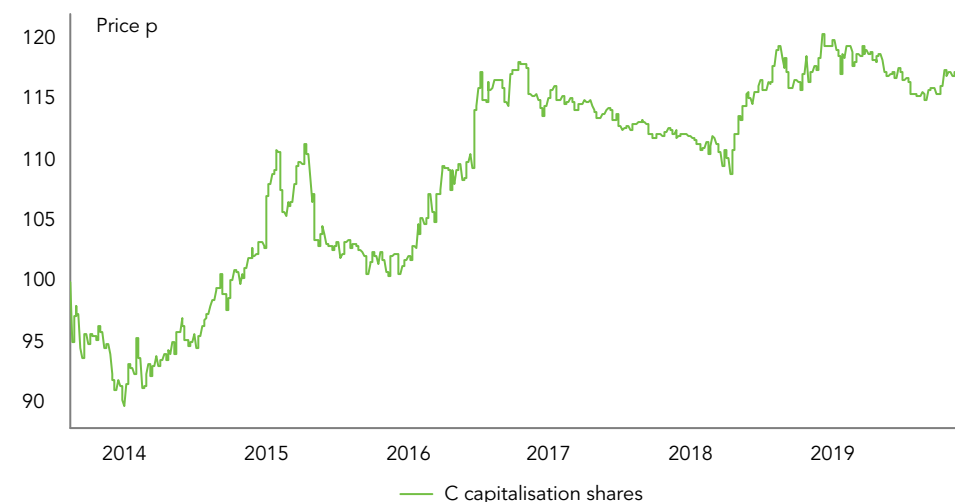
In Europe, we have seen a changing of the guard at the ECB with Christine Lagarde taking over from Mario Draghi. Exactly what this means for policy going forward is, as yet, uncertain. Most attention in Europe has been on the ECB but for us the story in Sweden has been more interesting. The Riksbank has hiked rates back up to zero citing the side effects of rates being held negative for too long. The market may soon ask 'how long before others are forced to do the same'

Sterling's strength against the US dollar was a strong driver of performance during the quarter.

## 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 %           | Q4  | Year to date | 1 year | 3 years | 5 years |
|-------------------------|-----|--------------|--------|---------|---------|
| C capitalisation shares | 2.5 | -0.9         | -0.9   | 2.8     | 15.1    |

| Percentage growth (C GBP cap) | %    | Share price as at 31 December 2019 | p             |
|-------------------------------|------|------------------------------------|---------------|
| 31 Dec 2018 – 31 Dec 2019     | -0.9 | <b>C capitalisation</b>            | <b>118.37</b> |
| 31 Dec 2017 – 31 Dec 2018     | 6.5  | <b>C distribution</b>              | <b>118.38</b> |
| 31 Dec 2016 – 31 Dec 2017     | -2.6 | <b>Z capitalisation</b>            | <b>127.35</b> |
| 31 Dec 2015 – 31 Dec 2016     | 13.0 | <b>Z distribution</b>              | <b>122.24</b> |
| 31 Dec 2014 – 31 Dec 2015     | -1.0 |                                    |               |

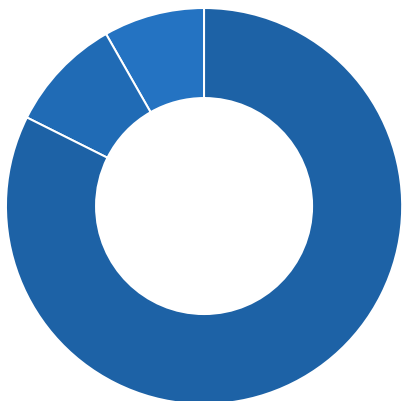
Source: Ruffer LLP

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 31 Dec 2019

## Portfolio structure



| Asset allocation                          | %    |
|---|------|
| US inflation-linked bonds (0-7 years)     | 82.4 |
| Japan inflation-linked bonds (7-15 years) | 9.4  |
| Cash                                      | 8.2  |

## 5 largest of 8 bond holdings

| Stock                           | % of fund |
|---------------------------------|-----------|
| US TIPS 1.250% 2020             | 19.9      |
| US government 0.125% 2021       | 19.0      |
| US TIPS 1.125% 2021             | 18.9      |
| US TIPS 0.625% 2021/07          | 14.3      |
| US government bonds 0.125% 2020 | 10.3      |

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 £617.9m

## 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)<br>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 30 November 2019, assets managed by the Ruffer Group exceeded £19.8bn.

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