

Ruffer Fixed Income

Positive returns from fixed income



March 2020 Issue 54

Over the course of the quarter, the fund's C capitalisation shares fell 0.8% from 118.37p to 117.48p. The US Treasury ten year bond yield fell from 1.92% to 0.67%.

The world has been hit by two shocks this quarter. The first is COVID-19, and the second, the oil price war between Saudi Arabia and Russia. As COVID-19 spread from being a problem in China, to its near neighbours, and then to the rest of the world, the scale of necessary government health responses and their knock-on economic impacts became apparent. Both nominal and real US government bond yields fell. It was obvious that for some time economic activity including the demand for oil would be severely constrained. The Federal Reserve took the unusual step of cutting interest rates by 50bp outside of its normal meeting schedule.

Then on 8 March, negotiations between OPEC and the non-OPEC oil producers about production cuts broke down. Russia and Saudi Arabia announced they were going to increase instead of reduce production. The Brent oil price started a precipitous collapse from \$60/bbl in mid-February to \$26/bbl by the end of March. This added to the deflationary backdrop.

In the two weeks that followed, the beginning of the oil price war the extent of the economic shutdown became apparent. Investors began a 'dash for cash', US dollar funding markets dried up and investors began to sell all assets including government bonds. The benchmark US 30 year TIPS's price fell by 30% in eight days. That, despite the fact that on 15 March the Fed had upped its activity in the repo market, cut interest rates again by 100bp to the zero bound, restarted quantitative easing at a huge scale and announced a number of other measures to support banks and some markets. The liquidity was coming if not immediately available.

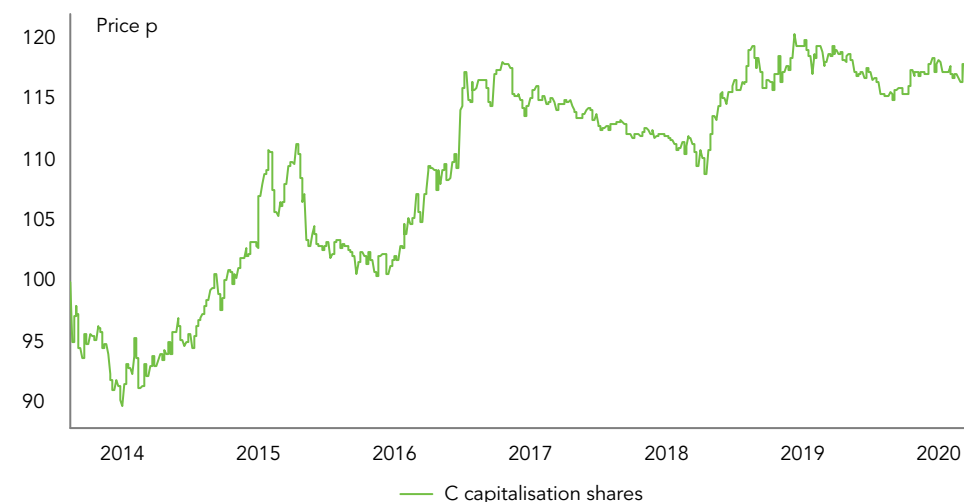
Our view is that the response to the crisis and the rebuilding afterwards will, as in most episodes, involve negative real interest rates. So we took advantage of the dip in prices to switch all of our sub one year paper into a mix of ten and thirty year TIPS.

We held on to our position in Japanese government inflation linked bonds (JGBs). They were caught up in the downdraft that affected all markets. But these bonds have a deflation floor, meaning that we can't receive less than par back at maturity. This floor on their value should limit further falls, and the bonds will give us significant upside should the world after the virus be more inflationary. As we hold our JGBs in yen, sterling's weakness more than offset the markdown in the value of the bonds themselves.

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 %	Q1	Year to date	1 year	3 years	5 years
C capitalisation shares	-0.8	-0.8	-1.1	2.4	6.9

Percentage growth (C GBP cap)	%	Share price as at 31 March 2020	p
31 Mar 2019 – 31 Mar 2020	-1.1	C capitalisation	117.48
31 Mar 2018 – 31 Mar 2019	8.3	C distribution	117.49
31 Mar 2017 – 31 Mar 2018	-4.4	Z capitalisation	126.74
31 Mar 2016 – 31 Mar 2017	5.1	Z distribution	121.66
31 Mar 2015 – 31 Mar 2016	-0.6		

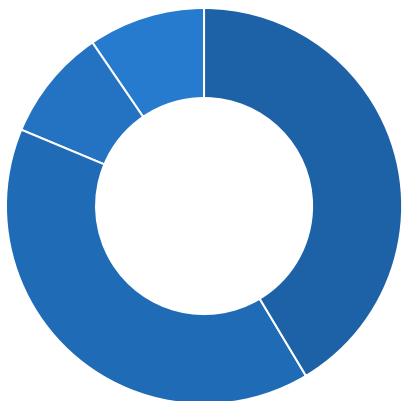
Source: Ruffer LLP

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 Mar 2020

Portfolio structure



Asset allocation	%
US inflation-linked bonds (7-15 years)	41.4
US inflation-linked bonds (15-30 years)	40.0
Japan inflation-linked bonds (7-15 years)	9.2
Cash	9.5

5 largest of 9 bond holdings

Stock	% of fund
US Treasury 0.25% TIPS 2050	18.8
US Treasury 0.125% TIPS 2030	16.9
US Treasury 0.25% TIPS 2029	13.9
US TIPS 1.0% 2048	10.6
US Treasury 0.875% TIPS 2029	10.6

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 £665.4m

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 29 February 2020, assets managed by the Ruffer Group exceeded £19.1bn.

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