

Ruffer Fixed Income

Positive returns from fixed income



June 2020 Issue 55

Over the course of the quarter, the fund's C capitalisation shares rose 4.8% from 117.48p to 123.17p. The US Treasury 10 year bond yield fell from 0.67% to 0.66%.

The fact that the US 10 year yield is virtually unchanged over the quarter disguises an enormous amount of activity under the surface. On the inflation front we have been dealing with not only with the effects of the COVID-19 related shutdown, but also the oil price war between Saudi Arabia and Russia. While Saudi Arabia, Russia and OPEC came to an agreement, in early April, to cut production, the confluence of earlier supply, the collapse of demand and market technical factors led to the front month US benchmark oil price falling to -\$40 per barrel. This weighed very heavily on inflation expectations and the real yield curve in the US. Subsequently, the oil price has bounced and the price moves will ripple through US inflation over the coming year.

By the beginning of the quarter the US Federal Reserve had embarked on its buying of Treasury and agency-backed mortgage-backed securities (MBS). It had done quantitative easing before, but the pace of this buying was like nothing seen before. In one four week period, it bought over US\$1.3 trillion of assets. Although this pace has slowed dramatically, in buying US\$80 billion of US Treasuries and US\$40 billion of MBS a month, the Fed continues to pump liquidity into the US bond markets.

Alongside its bond buying, the Fed is also conducting a myriad of other credit and bank support programs, and has cut nominal interest rates to zero. Looking forward, they have not yet decided exactly what they will do, but have made it clear that nominal rates will be at, or close to, zero for some years to come. They are still considering inflation averaging or make up strategies. The Fed is not acting alone, Congress has been spending money to ensure as many businesses and jobs that can be saved will be.

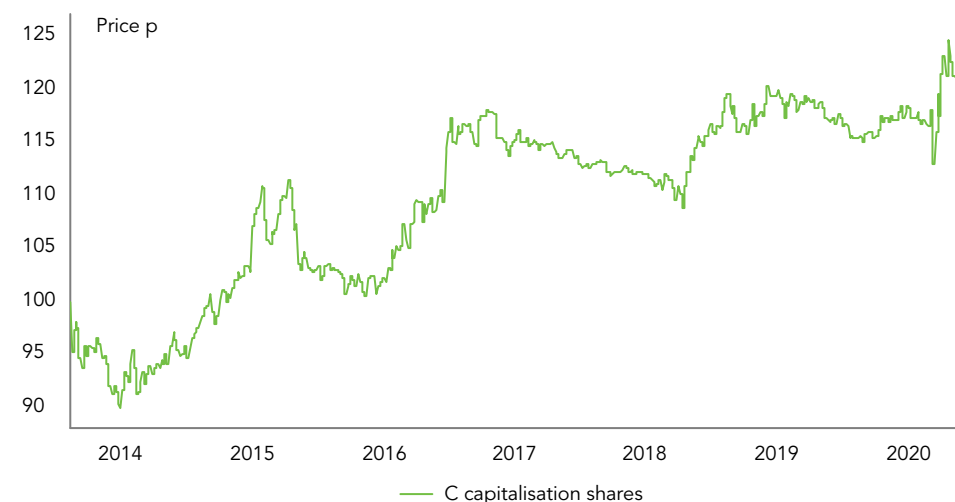
To us, it is clear the overall US policy prescription hasn't changed, they want lower real rates to stimulate the economy, and so we remain happy in holding our current positions in US TIPS. The degree of US stimulus makes us wary about the US dollar, hence our currency positioning.

Japan seems to have been ignored of late, in the 10 year area, real yields have traded above nominal yields, despite the deflation floor in the inflation-linked bonds. We remain happy with our holdings.

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	4.8	4.1	4.7	9.0	19.6

Percentage growth (C GBP cap)	%	Share price as at 30 June 2020	p
30 Jun 2019 – 30 Jun 2020	4.7	C capitalisation	123.17
30 Jun 2018 – 30 Jun 2019	1.2	C distribution	123.18
30 Jun 2017 – 30 Jun 2018	2.8	Z capitalisation	133.26
30 Jun 2016 – 30 Jun 2017	-1.3	Z distribution	127.92
30 Jun 2015 – 30 Jun 2016	11.1		

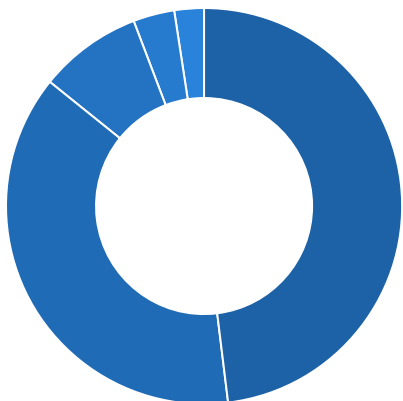
Source: Ruffer LLP

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 30 Jun 2020

Portfolio structure



Asset allocation	%
US inflation-linked bonds (7-15 years)	50.5
US inflation-linked bonds (15-30 years)	39.6
Japan inflation-linked bonds (7-15 years)	8.9
UK Short-dated Government bonds	3.6
Cash and unrealised FX	-2.5

5 largest 10 bond holdings

Stock	% of fund
US Treasury 0.125% TIPS 2030	22.5
US Treasury 0.25% TIPS 2050	19.8
US Treasury 0.25% TIPS 2029	16.6
US Treasury 0.875% TIPS 2029	11.4
US Treasury 1.0% TIPS 2049	11.0

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 £685.9m

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) 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 2020, assets managed by the Ruffer Group exceeded £19.5bn.

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