

# Ruffer Fixed Income

Positive returns from fixed income



June 2023 Issue 67

As the first quarter ended the fresh news was the collapse of a number of regional banks in the US. The prevailing wisdom was that these bank failures would cause a contraction in credit availability which would help to slow economic activity and reduce inflation. The contraction in credit would mean the Federal Reserve would have to raise rates less in order to control inflation.

Those expectations took a knock over the course of the second quarter. While headline inflation fell, core inflation proved much stickier than expected, at levels well above where the Federal Reserve is comfortable. The Federal Reserve raised interest rates by 25 basis points in May, but left rates unchanged at their June meeting. But even as they did nothing, the message from the Federal Reserve was to expect further rate hikes. As a result, two year Treasury yields rose by 85 basis points over the quarter, nearly reaching their highs of March 2023.

During the quarter we took advantage of the backup in yields to add to our position in long dated TIPS on the basis we believe the US economy will not be able to withstand higher real rates over the medium term. We did so out of short-dated UK inflation-linked bonds and so upped our US dollar weight.

In Europe, both the European Central Bank and the Bank of England have continued to raise interest rates as inflationary pressures remain. Both currencies have rallied against the US dollar over the quarter as the inflation fight gets serious. Notably in the UK, when the Chancellor of the Exchequer made it clear it would not use fiscal policy to mitigate the effects of inflation, sterling rallied strongly.

The only place where the central bank is not actively fighting inflation is Japan. Inflation is running above target, but the Bank of Japan is persisting with its yield curve control (YCC) strategy to hold down bond yields. The comparison with rising bond yields elsewhere has meant that the yen has weakened dramatically over the quarter. We added to our holdings of short-dated Japanese government bonds from sterling during the quarter.

Losses in the quarter were predominantly caused by the strength of sterling against the US dollar and yen.

## 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

Past performance does not predict future returns



C capitalisation shares	Performance %	Share price as at 30 June 2023	p
Q2	-6.2	<b>C capitalisation</b>	<b>1.2059</b>
Year to date	-6.4	<b>C distribution</b>	<b>1.1866</b>
1 year	-6.2	<b>Z capitalisation</b>	<b>1.3510</b>
3 years	-2.1	<b>Z distribution</b>	<b>1.2634</b>
5 years	3.8		
Since inception to 31 August 22	31.3		

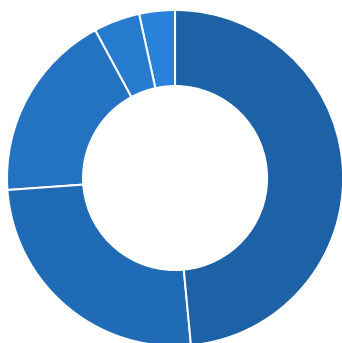
12 month performance to June %	2019	2020	2021	2022	2023
C capitalisation shares	1.2	4.7	3.0	1.3	-6.2

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. Future performance is subject to taxation which depends on each investor's personal situation, and may be subject to change in the future.

# Ruffer Fixed Income as at 30 Jun 2023

## Portfolio structure



Asset allocation	%
● Japan short-dated government bonds	48.4
● US inflation-linked bonds (15-30 years)	25.5
● Australia government bonds	18.1
● US inflation-linked bonds (0-7 years)	4.5
● Cash and unrealised FX	3.5

## 5 largest 15 bond holdings

Stock	% of fund
Australian Govt Bonds 0.25% 2024	13.8
US Treasury 0.125% 2052	12.9
US Treasury 0.125% 2051	10.5
Government of Japan 0.005% May 2024	10.1
Government of Japan 0.005% Jun 2024	8.8

Source: Ruffer LLP. Pie chart totals may not equal 100 due to rounding.

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. The views expressed in this report are not intended as an offer or solicitation for the purchase or sale of any investment or financial instrument. The views reflect the views of Ruffer LLP at the date of this document and, whilst the opinions stated are honestly held, they are not guarantees and should not be relied upon and may be subject to change without notice.

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Fund size **£376.5m**

## Fund information

Ongoing Charges Figure %	Cap	Dis	
C class GBP	1.28	1.28	
Z class GBP	0.13	0.13	
%	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 Managers

### 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.



### Alexander Jones

RESEARCH ANALYST

Joined Ruffer's macro research team as a graduate in 2017. He holds an MSc from UCL and a first class degree from Durham University, both in economics.

## Ruffer LLP

Ruffer LLP manages investments on a discretionary basis for private clients, trusts, charities and pension funds. As at 31 May 2023, assets managed by the Ruffer Group exceeded £25.2bn.

## Enquiries

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