Charity Assets Trust

Annual report and
financial statements
for the year ended
15 October 2019

Contents

Statement of the Manager's responsibilities

Under the Scheme Particulars and Charities Act 2011, Ruffer AIFM Limited ('the Manager') of the Charity Assets Trust (the 'Fund') is responsible for preparing the financial statements for each financial year in accordance with applicable law and regulations.

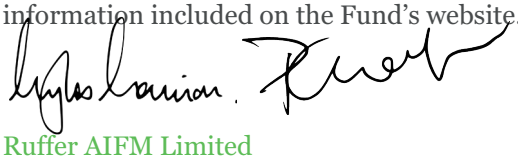
The financial statements are required by law to give a true and fair view of the state of affairs of the Fund and of the incoming resources and application of resources for that period.

In preparing these financial statements, generally accepted accounting practice requires the Manager to

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards and the principles set out in the Statement of Recommended Practice for Authorised Funds have been followed, subject to any material departures disclosed and explained in the financial statements
- state whether the financial statements comply with the Scheme rules, subject to any material departures disclosed and explained in the financial statements and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Fund will continue its activities.

The Manager is required to act in accordance with the rules detailed in the Scheme Particulars, within the framework of Charities Act 2011. The Manager is responsible for keeping proper accounting records, sufficient to disclose at any time, with reasonable accuracy, the financial position of the Fund at that time, and to enable the Manager to ensure that, where any statements of accounts are prepared by it under section 132(1) of the Charities Act 2011, regulation 6 of The Charities (Accounts and Reports) Regulations 2008 and the Statement of Recommended Practice for Authorised Funds issued by the Investment Association in May 2014, those statements of accounts comply with the requirements of regulations under these provisions. The Manager has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the Fund and to prevent and detect fraud and other irregularities.

The Manager is responsible for the maintenance and integrity of the financial and other information included on the Fund's website.



Ruffer AIFM Limited
10 February 2020

Statement of the Trustee's Responsibilities

The Trustee is under a duty to take into its custody or under its control all of the property of the Charity Assets Trust and to hold it in trust for the holders of units. Under the Scheme Rules, the Charities Act 2011, the Alternative Investment Fund Managers Directive (AIFMD) and regulation 6 of The Charities (Accounts and Reports) Regulations 2008, it is the duty of the Trustee to enquire into the conduct of the Manager in the management of the Charity Assets Trust in each accounting year and to report thereon to unitholders in a report which shall contain the matters prescribed by the Scheme Rules. The Trustee's report is set out as follows.

Report of the Trustee to the unitholders of the Charity Assets Trust for the year ended 15 October 2019

Having carried out such procedures as we considered necessary to discharge our responsibilities as Trustee of the Charity Assets Trust, in our opinion, based on the information available to us and the explanations provided, the Manager has, in all material respects, managed the Charity Assets Trust during the year in accordance with the investment and borrowing powers and restrictions applicable to the Charity Assets Trust and otherwise in accordance with the rules of the Charities Act 2011, regulation 6 of The Charities (Accounts and Reports) Regulations 2008 and from the 22nd July 2014 the Financial Conduct Authority's Investment Funds Sourcebook (FUND).

The Bank of New York Mellon (International) Limited
Trustee
10 February 2020

Independent Auditor's Report to the Unitholders of the Charity Assets Trust

Opinion

We have audited the financial statements of Charity Assets Trust (the Fund) for the year ended 15 October 2019 which comprise the Statement of Total Return, the Statement of Change in Net Assets attributable to Unitholders, Balance Sheet, Distribution Tables and the related notes 1 to 16, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting standard applicable in the UK and Republic of Ireland".

In our opinion the financial statements:

- give a true and fair view of;
  - the state of the Fund's affairs as at 15 October 2019,
  - the incoming resources and application of the resources of the investment fund for the year then ended; and
  - the movements in the net assets of the investment fund between their position as at the beginning of the financial year.
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 "The Financial Reporting standard applicable in the UK and Republic of Ireland" and the Scheme Particulars and
- have been prepared in accordance with the requirements of the Charities Act 2011.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report set out on pages 3 to 4, 9 to 23 and 44 to 47, other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities (Accounts and Reports) Regulations 2008 require us to report to you if, in our opinion:

- the information given in the Trustees' Annual Report is inconsistent in any material respect with the financial statements; or
- sufficient accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the Manager

As explained more fully in the trustees' responsibilities statement set out on page 4, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 144 of the Charities Act 2011 and report in accordance with the Act and relevant regulations made or having effect thereunder.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Trustees, as a body, in accordance with Part 4 of the Charities (Accounts and Reports) Regulations 2008. Our audit work has been undertaken so that we might state to the Fund's trustees those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the Fund's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP
Statutory Auditor
London
13 February 2020

Ernst & Young LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

Investment objective and policy

Investment objective

The Fund will follow an 'absolute return' investment strategy. This means that the Manager will not endeavour to track or 'outperform' a specific benchmark or stock market index, but instead seek to generate consistent positive returns regardless of the prevailing market conditions.
The Manager expresses its absolute return approach through two principal investment objectives for the Fund

- preservation of capital, which the Manager defines as not losing money on a rolling 12 month basis and
- delivering consistent positive returns (through a combination of capital and revenue) greater than the return on cash (as defined by the Bank of England Bank Rate).

In the Manager's experience, if it can achieve the first objective, avoiding significant losses, investors are likely to achieve the second and make consistent, positive returns.

Investment policy

Under the provisions of the Scheme, the Manager is given the power to invest the assets of the Fund in a wide range of investments. Notwithstanding the general power granted by the Scheme, the Manager intends to follow the policies set out below.

The Manager will utilise an unbenchmarked, absolute return investment strategy. In the Manager's experience there are two distinct advantages to the absolute return approach over traditional benchmarked strategies. First, by being unbenchmarked, the Manager is not constrained by individual asset class returns and the investor benefits from a low correlation and risk relative to stock markets, expressed in a lower volatility of their return. This is closely connected to the second advantage; that in the Manager's experience investors experience a better long-term return as through the avoidance of significant loss they benefit from the compounding of positive returns.

The Fund will principally invest in the following asset classes: global equities, UK and overseas government and corporate bonds and commodities in order to achieve the Fund's investment objectives. Other conventional assets might be considered from time to time, such as convertible bonds or preference shares, but it is not anticipated that such assets will form a core constituent of the Fund property.

The Fund may also invest in collective investment schemes and closed-ended investment companies to gain exposure to some asset classes where such an investment provides additional benefits, such as capturing manager skill or additional diversification. Such collective investment schemes or closed-ended investment companies would usually be other funds managed by the Manager or by Ruffer LLP, the parent entity of the Manager, but could be managed by a third party. The Manager, Ruffer LLP, or any subsidiary entity of Ruffer LLP may also invest in such collective investment schemes or closed-ended investment companies for other clients. No more than 30% of the property of the Fund may be invested in collective investment schemes at the time of purchase.

The Fund may also invest in collective investment schemes offering exposure to derivatives traded for investment purposes. This strategy will be primarily protective rather than speculative. Such collective investment schemes would usually be other funds managed by the Manager or Ruffer LLP, the parent entity of the Manager, but could be managed by a third party. The Manager, Ruffer LLP or any subsidiary entity of Ruffer LLP may also invest in such collective investment schemes for other clients. The use of such collective investment schemes is not intended to increase the risk profile of the Fund.

The property of the Fund may consist of cash and near cash, where this may reasonably be regarded as necessary in order to enable redemption of Units, payment of distributions, efficient management of the Fund in accordance with its objectives or otherwise to enable the Manager to discharge its functions under the Scheme. In addition, the level of liquid assets held in the Fund may be increased by the level of subscriptions received by the Fund pending their investment in underlying asset classes and where the Manager deems it appropriate to increase liquidity for defensive or other market related reasons.

Overseas currency exposure will be hedged back to sterling when appropriate using forward currency contracts, reflecting that this is the base currency of the UK charities investing in the Fund, so positions out of sterling represent risk to the investing charities. From time to time derivatives may be used to reduce overall portfolio risk, and for the purposes of Efficient Portfolio Management. The use of derivatives for the purposes of Efficient Portfolio Management is in addition to the indirect use of derivatives for investment purposes as provided for in the Scheme Particulars Section 3.2.4.

The Manager will apply best execution when carrying out transactions for the Fund. Best execution is a duty to execute transactions in such a way that the most favourable result is reasonably obtained under the circumstances. There are a number of factors to be taken into account and price is an important factor. However, there will be occasions when it may be determined that other factors are more important than price in obtaining the most favourable result in the circumstances prevailing at the time. A copy of the applicable execution policy for the Fund can be obtained from the Manager.

Report of the Manager

Performance details

The accumulation shares of the Charity Assets Trust fell by 0.8% in the year to 15 October 2019. The Fund ended the period with around 78% exposure to sterling, 9% to the yen and 3% to the US dollar.

Investment commentary

The period under review was nothing if not eventful. The closing of 2018 saw a sharp fall in world equity markets, and some widening in credit spreads, as investors reacted to the US Federal Reserve's moves to tighten monetary policy and priced in further US interest rate rises. The US central bank, clearly concerned by these market reactions, performed a complete U-turn in January, effectively ruling out further tightening of policy. Equity markets, having fallen 15% in peak-to-trough in the fourth quarter of 2018, have thus rallied by 18% in 2019 to date*.

Indeed the US central bank's handbrake turn has been the principal reason that 2019 has been kind to most asset prices, alongside the promise of further monetary easing from the European Central Bank (ECB), duly delivered in September. Yields on government bonds have fallen sharply during the period, and bond prices, which move inversely to yields have thus risen to the point that over $13 trillion worth of government and corporate bonds now give a negative yield to redemption. This phenomenon has boosted gold, an asset often eschewed on account of it paying no income; this year the price of gold has risen by 18% in US dollar terms at the end of the reporting period.

The other feature of the period has been one of generally decelerating economic growth, especially in the world's manufacturing sectors. There appear to be no early winners from the ongoing trade dispute between the US and China, with third-party economies also sharing some of the pain. With one eye on the 2020 presidential election, President Trump may soon be touting newly negotiated trade arrangements with China. However, deeper matters concerning intellectual property rights and leadership in new technologies seem unlikely to be resolved in the immediate future.

Closer to home, UK economic activity has continued to be affected by Brexit uncertainties, while Germany is flirting with recession, not least due to lingering difficulties in the automotive sector. We added to the Fund's UK equity exposure during the period, for example through the addition of UK property companies such as Land Securities. This is driven by two main factors: our belief that valuations for UK equities exhibit a meaningful degree of pessimism, whilst also acknowledging that they can play an important role in an overall portfolio context. Should political events proceed in a disorderly manner, the portfolio's index-linked gilts and foreign currency exposure (c 25%) should provide ample cushioning. However, it is also not inconceivable that the clouds hovering over Westminster could clear, providing UK equities with a rare chance to shine.

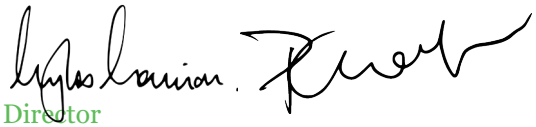
*FTSE All-World Total Return in sterling

Against this background the Fund's equity exposure has been kept at a prudent level in the range of 35%-40%. The principal activity here was to reduce to some degree the Fund's exposure to cyclical and financial stocks in the first half of the review period, both in recognition of this slower growth picture and also that the risk of aggressive interest rate increases has receded. These proceeds were redeployed into areas of the market where we see resilient business models but where depressed valuations appear to offer a good entry point: the Fund's exposure to US healthcare stocks would be an example of this. Towards the end of the period, with markets more pessimistic about the outlook for economic growth, we added to stocks which would be direct beneficiaries of any easing in US – China trade tensions.

In terms of the Fund's protective assets, we reduced the Fund's holding of inflation-linked government bonds at the end of the period, reflecting a shift in the political narrative in the UK. Having reaped the rewards from the fall in real yields over recent years, and over the first half of 2019 in particular, we felt it was prudent to take some profits. Recent events suggest that the risk of a disorderly exit from the EU is now diminished, whilst a Labour Party majority in the upcoming election looks unlikely. With the possibility of these two overhangs clearing, an environment of increased government spending and accelerating economic growth could coincide with foreign capital inflows, leading to a stronger pound and so muting the immediate inflationary impulse. Such an environment could present a meaningful headwind for the portfolio's index-linked bonds.

The bonds remain the core position protecting against continued negative real interest rates and the risk of inflation over the medium term. The latter is a probability we would judge as having risen, particularly as it is becoming increasingly clear that the response to any sustained future economic weakness will have to be more expansive fiscal policies from governments.

The Fund also retains its credit protections: we continue to feel that corporations' borrowing costs remain unsustainably low, and moreover are concerned that should sentiment turn against corporate credit the fundamental illiquidity of the asset class will also come to the fore.



Director

Ruffer AIFM Limited

10 February 2020

Risk review

There are risks associated with an investment in the Fund. Investment in the Fund may not be suitable for all charities. In particular, applicants should consider the following risk warnings before investing in the Fund.

General

The investments of the Fund are subject to normal market fluctuations and other risks inherent in investing in securities. There can be no assurance that any appreciation in the value of investments will occur. The value of investments and the revenue derived from them may fall as well as rise and investors may not recoup the original amount they invest in the Fund. The level of any yield for the Fund may be subject to fluctuations and is not guaranteed.

Counterparty and settlement

The Fund will be exposed to a credit risk on parties with whom they trade and will also bear the risk of settlement default. The Manager monitors settlement risk by determining the mark-to-market changes in asset value of all unsettled trades with each counterparty against internally set limits. If the mark-to-market limit is approached or met, the Manager may decide to stop trading with that counterparty until the open settlement risk decreases.

Counterparty risk in over-the-counter markets

The Fund may enter into transactions in over-the-counter markets, which will expose the Fund to the credit of its counterparties and their ability to satisfy the terms of such contracts. For example, the Fund may enter into agreements or use other derivative techniques, each of which exposes the Fund to the risk that the counterparty may default in its obligations to perform under the relevant contract. In the event of the bankruptcy or insolvency of a counterparty, the Fund could experience delays in liquidating the position and significant losses, including declines in the value of its investment during the year in which the Fund seeks to enforce its rights, inability to realise any gains on its investment during such year and fees and expenses incurred in enforcing its rights. There is also a possibility that the above agreements and derivative techniques are terminated due, for instance, to bankruptcy, supervening illegality or change in the tax or accounting laws relative to those at the time the agreement was originated. In such circumstances, investors may be unable to cover any losses incurred. Due diligence is performed by the Manager prior to entering any relationship with a counterparty in order to ensure that the Manager is comfortable, on behalf of its clients, with the credit worthiness, financial stability and reputation of that institution.
On entering any transaction with the counterparty, the Manager monitors the exposure to that counterparty on a daily basis against internally set limits and may decide to reduce or close out of any open positions that breach those set credit limits.

Credit and fixed interest securities

Fixed interest securities are particularly affected by trends in interest rates and inflation. If interest rates go up, the value of capital may fall, and vice versa. Inflation will also decrease the real value of capital.

Ruffer AIFM Limited actively manages the Fund's exposure to interest rate risk, paying heed to prevailing interest rates and economic conditions, market expectations and their own opinions of likely movements in interest rates. The exposure of the Fund to fixed interest securities is in the form of index-linked bonds. The value of these investments is determined by current and expected inflation and interest rates.

Currency exchange rates

Currency fluctuations may adversely affect the value of the Fund's investments and the Fund's revenue in respect of such investments. Foreign currency exposure will be hedged back to sterling when appropriate using forward currency contracts. Forward currency contracts may be employed to hedge foreign currencies, yen, euro and US dollar back to sterling.

Custody

There may be a risk of loss where the assets of the Fund are held in custody resulting from the insolvency, negligence or fraudulent action of a custodian or sub-custodian. Due diligence is performed by Ruffer AIFM Limited prior to entering any relationship thereafter periodically on all counterparties to ensure credit worthiness, financial stability and reputation of that institution.

Derivatives

The Manager may use derivatives for the purposes of hedging with the aim of reducing the risk profile of the Fund, or reducing costs, or generating additional capital or revenue, in accordance with Efficient Portfolio Management.

To the extent that derivative instruments are utilised for hedging purposes, the risk of loss to the Fund may be increased where the value of the derivative instrument and the value of the security or position which it is hedging are insufficiently correlated.

In certain circumstances, for hedging purposes to reduce or to eliminate risk arising from fluctuations in interest or exchange rates and the price of investments, the Manager may enter into certain derivative transactions, including, without limitations, forward transactions, futures and options. The value of these investments may fluctuate significantly. By holding these types of investments there is a risk of capital depreciation in relation to the Fund. There is also the potential for capital appreciation of such assets.

Ruffer AIFM Limited monitors the value of each derivative transaction daily. Each transaction is aggregated at a counterparty level to monitor the open exposure with each derivative counterparty. We also maintain market standard documentation with each counterparty governing these derivative transactions.

Emerging markets

Investments in emerging markets may be more volatile than investments in more developed markets. Some of these markets may have relatively unstable governments, economies based on only a few industries and securities markets that trade only a limited number of securities. Many emerging markets do not have well developed regulatory systems, and accounting standards and disclosure standards may be less stringent than those of developed markets.

The risks of expropriation, nationalisation and social, political and economic instability are greater in emerging markets than in more developed markets. Ruffer AIFM Limited recognises the greater risks represented by emerging markets and manages the Fund's exposure to such markets.

Liquidity

Depending on the types of assets the Fund invests in, there may be occasions where there is an increased risk that a position cannot be liquidated in a timely manner at a reasonable price. To mitigate this risk the Fund is well diversified on a geographical and sectoral basis with regards to underlying investments. The liquidity profile of the Fund is managed by typically holding securities which are actively traded on recognised exchanges.

Smaller companies

Investment in smaller companies can be higher risk than investment in well established blue chip companies.

Should the Fund invest significantly in smaller companies it could be subject to more volatility due to the limited marketability of the underlying asset. In order to mitigate the risks from volatile movements in capital and revenue returns, particularly from smaller companies, the Fund holds a diverse range of investments so that concentration within one individual security does not pose a threat to the overall Fund performance.

Suspension of dealings in units

Investors are reminded that in certain circumstances their right to redeem units may be suspended. The Manager will notify participating charities as soon as is practicable after the commencement of the suspension, including details of the exceptional circumstances which have led to the suspension, in a clear, fair and not misleading manner, providing details of how to find further information about the suspension.

Tax

Tax laws currently in place may change in the future and this could affect the value of a participating charity's investments. Ruffer AIFM Limited monitors tax developments on an ongoing basis in order to minimise this risk.

Securities Financing Transactions Regulation

The Securities Financing Transactions (SFTs) Regulation, as published by the European Securities and Markets Authority, aims to improve the transparency of the securities financing markets. During the year to 15 October 2019 and at the balance sheet date, the Fund did not use SFTs or total return swaps.

Comparative tables

Year ended Income units	15 Oct 2019 (pence per unit)	15 Oct 2018 (pence per unit)	15 Oct 2017 (pence per unit)
Change in net assets per unit			
Opening net asset value per unit	115.51	118.30	116.65
Return before operating charges*	2.18	0.56	5.16
Operating charges	(1.27)	(1.39)	(1.35)
Return after operating charges	0.91	(0.83)	3.81
Distributions	(2.34)	(1.96)	(2.16)
Retained distributions on accumulation units	—	—	—
Closing net asset value per unit	114.08	115.51	118.30
After direct transaction costs* of	(0.03)	(0.05)	(0.07)
Performance			
Return after charges	0.79%	(0.70)%	3.27%
Other information			
Closing net asset value	63,289,576	49,867,720	44,485,568
Closing number of units	55,476,858	43,170,153	37,603,831
Operating charges†	1.11%	1.17%	1.14%
Direct transaction costs	0.02%	0.04%	0.06%
Prices			
Highest unit price	117.40	122.07	120.67
Lowest unit price	111.51	115.54	115.47

*Direct transaction costs comprise commission and taxes, principally applicable to equity investment purchases and sales. Unitholders should note that additionally there are other transaction costs such as dealing spread and underlying costs with regard to Collective Investment Scheme holdings which will also have reduced the Fund and unit class returns before operating charges.

†The Operating Charges figure represents the Fund's total disclosed costs and is expressed as a percentage of the average net asset value. It includes the management charges as well as all the administrative expenses including custodial transaction charges incurred by the Fund.

Year ended Accumulation units	15 Oct 2019 (pence per unit)	15 Oct 2018 (pence per unit)	15 Oct 2017 (pence per unit)
Change in net assets per unit			
Opening net asset value per unit	131.21	132.16	127.99
Return before operating charges*	2.54	0.58	5.66
Operating charges	(1.48)	(1.53)	(1.49)
Return after operating charges	1.06	(0.95)	4.17
Distributions	(2.68)	(2.20)	(2.39)
Retained distributions on accumulation units	2.68	2.20	2.39
Closing net asset value per unit	132.27	131.21	132.16
After direct transaction costs* of	(0.03)	(0.06)	(0.08)
Performance			
Return after charges	0.81%	(0.72)%	3.26%
Other information			
Closing net asset value	53,966,865	47,412,976	52,528,046
Closing number of units	40,801,270	36,133,984	39,744,306
Operating charges†	1.13%	1.15%	1.14%
Direct transaction costs	0.02%	0.04%	0.06%
Prices			
Highest unit price	135.38	136.57	133.59
Lowest unit price	126.67	129.39	126.68

*Direct transaction costs comprise commission and taxes, principally applicable to equity investment purchases and sales. Unitholders should note that additionally there are other transaction costs such as dealing spread and underlying costs with regard to Collective Investment Scheme holdings which will also have reduced the Fund and unit class returns before operating charges.

†The Operating Charges figure represents the Fund's total disclosed costs and is expressed as a percentage of the average net asset value. It includes the management charges as well as all the administrative expenses including custodial transaction charges incurred by the Fund.

Portfolio statement

Holding/ nominal value	Investment	Market value £k	% of total net assets
	United Kingdom - 30.05% (2018 - 40.58%)		
	United Kingdom equities - 12.45% (2018 - 12.39%)		
208,310	BP	1,021	0.87
70,000	Cairn Energy	140	0.12
30,000	Castings	111	0.10
222,445	Countryside Properties	783	0.67
641,305	Dixons Carphone	840	0.72
772,668	Ground Rents Income Fund	672	0.57
519,940	Hipgnosis Songs	556	0.47
500,000	ITV	673	0.57
69,432	Land Securities	657	0.56
1,017,345	Lloyds Banking	619	0.53
499,289	Man	774	0.66
236,292	Marks & Spencer	465	0.40
83,000	Nucleus Financial	119	0.10
107,075	Ocado	1,460	1.25
668,610	PRS REIT	588	0.50
341,307	RBS	772	0.66
14,713	Rio Tinto	591	0.50
157,421	Sophos	902	0.77
767,530	Tesco	1,874	1.60
64,385	Valaris	275	0.23
16,355	Whitbread	700	0.60
		14,592	12.45
	United Kingdom bonds - 17.60% (2018 - 28.19%)		
	United Kingdom government bonds - 17.60% (2018 - 28.19%)		
£1,823,785	Treasury 0.125% Index Linked Gilts 22/3/2068	5,436	4.64
£1,171,965	Treasury 0.125% Inflation Linked Gilts 22/11/2056	2,670	2.28
£1,160,195	Treasury 0.375% Index Linked Gilts 22/3/2062	3,433	2.93
£2,612,365	Treasury 0.5% Index Linked Gilts 22/3/2050	7,170	6.11
£543,795	Treasury 2.5% Index Linked Gilts 16/4/2020	1,928	1.64
		20,637	17.60

Holding/ nominal value	Investment	Market value £k	% of total net assets
	Continental Europe - 5.46% (2018 - 3.33%)		
	Continental Europe equities - 5.46% (2018 - 3.33%)		
87,951	ArcelorMittal	1,002	0.86
88,273	Equinor	1,261	1.08
60,240	Hennes & Mauritz series 'B' shares	996	0.85
29,086	Royal Dutch Shell class 'B' shares	656	0.56
14,335	Vinci	1,224	1.04
14,855	Vivendi	320	0.27
28,347	Yara International	942	0.80
		6,401	5.46
	Asia Pacific (excluding Japan) - 1.58% (2018 - 1.68%)		
	Asia Pacific (excluding Japan) equities - 1.58% (2018 - 1.68%)		
1,841,000	Bank of China	579	0.50
220,000	China Life Insurance	412	0.35
131,000	China Mobile	859	0.73
		1,850	1.58
	Japan - 10.27% (2018 - 15.84%)		
	Japan equities - 8.35% (2018 - 13.92%)		
18,100	Fujitsu	1,142	0.97
16,900	Hoya	1,092	0.93
84,600	Mitsubishi Electric	899	0.77
276,700	Mitsubishi UFJ Financial	1,081	0.92
12,000	Namco Bandai	587	0.50
103,400	Orix	1,234	1.05
295,200	Resona	968	0.83
49,600	Sony	2,250	1.92
19,900	Sumitomo Mitsui Financial	533	0.46
		9,786	8.35
	Japan bonds - 1.92% (2018 - 1.92%)		
	Japan government bonds - 1.92% (2018 - 1.92%)		
JPY 99,000,000	Japan (Government) 0.1% Bonds 10/3/2026	743	0.63
JPY 99,800,000	Japan (Government) 0.1% Bonds 10/3/2028	752	0.64
JPY 99,700,000	Japan (Government) 0.1% CPI Linked Bonds 10/3/2027	757	0.65
		2,252	1.92

Holding/ nominal value	Investment	Market value £k	% of total net assets
	North America - 30.99% (2018 - 18.87%)		
	North America equities - 15.46% (2018 - 9.67%)		
17,684	Activision Blizzard	769	0.65
4,587	Amgen	735	0.63
3,637	Aptiv	251	0.21
23,713	Celgene	1,873	1.60
22,720	Centene	804	0.68
14,257	CheckPoint Software Technologies	1,215	1.04
9,801	Cigna	1,228	1.05
28,990	Cleveland-Cliffs	166	0.14
23,982	Delphi Technologies	270	0.23
30,534	Disney	3,101	2.64
16,400	Dow	606	0.52
20,296	Foot Locker	698	0.59
75,904	General Motors	2,153	1.84
2,755	Humana	596	0.51
62,694	Livent	339	0.29
5,401	McKesson	584	0.50
31,135	National Oilwell Varco	517	0.44
38,828	Newmont Goldcorp	1,145	0.98
54,975	Wheaton Precious Metals	1,083	0.92
		18,133	15.46
	North America bonds - 15.53% (2018 - 9.20%)		
	United States government bonds - 15.53% (2018 - 9.20%)		
$3,359,300	US Treasury 0.125% Index Linked Bonds 15/4/2020	2,860	2.44
$2,183,600	US Treasury 0.125% Index Linked Bonds 15/4/2021	1,830	1.56
$3,449,600	US Treasury 0.625% Inflation Indexed Bonds 15/7/2021	3,086	2.63
$6,736,200	US Treasury 1.125% Inflation Indexed Bonds 15/1/2021	6,206	5.29
$4,570,400	US Treasury 1.25% Inflation Indexed Bonds 15/7/2020	4,231	3.61
		18,213	15.53
	South America - 0.59% (2018 - 0.08%)		
	South America equities - 0.59% (2018 - 0.08%)		
71,485	Antofagasta	624	0.53
18,452	Ultrapar Participacoes ADR (each Representing One Com NPV)	66	0.06
		690	0.59

Holding/ nominal value	Investment	Market value £k	% of total net assets
	Gold and gold mining equities - 1.85% (2018 - 3.40%)		
42,366	Barrick Gold	552	0.47
459,518	Kinross Gold	1,622	1.38
		2,174	1.85
	Non-equity investment instruments - 11.69% (2018 - 6.56%)		
582,520	Gresham House Energy Storage Fund	600	0.51
125,417	iShares Physical Gold ETC	2,847	2.43
16,278,414	Ruffer Illiquid Multi Strategies Fund 2015#	8,249	7.04
6,214	Ruffer Illiquid Strategies Fund 2011#	94	0.08
1,425,759	Ruffer Protection Strategies International#	1,917	1.63
		13,707	11.69
	Warrants - 0.00% (2018 - 1.01%)		
37,350	Ground Rents Income Fund Warrants 31/8/2022	1	0.00
		1	0.00
	Derivatives - 1.14% (2018 - 0.26%)		
	Forward currency contracts - 1.14% (2018 - 0.26%)		
585,415,552	Buy JPY 585,415,552 : Sell GBP 4,444,165	(226)	(0.19)
6,159,454	Buy GBP 6,159,454 : Sell JPY 815,266,360	286	0.24
39,926,080	Buy GBP 39,926,080 : Sell USD 49,351,629	1,374	1.17
3,588,014	Buy USD 3,588,014 : Sell GBP 2,899,445	(97)	(0.08)
		1,337	1.14
	Investment assets	109,773	93.62
	Net other assets	7,483	6.38
	Total net assets	117,256	100.00

#Related party.

No investments were made in unrated or below investment grade debt securities.

Summary of credit ratings

	15 Oct 2019	15 Oct 2018
Investment grade	41,102	38,244

Summary of largest portfolio changes

The table below shows the top ten purchases and sales for the year.

Purchase	£	Sales	£
Treasury 2% Bonds 22/7/2020	7,919,965	Treasury 0% Bonds 26/11/2018	8,223,030
Ruffer Illiquid Multi Strategies Fund 2015	6,079,042	Treasury 2% Bonds 22/7/2020	7,918,181
US Treasury 0.625% Inflation Indexed Bonds 15/1/2024	4,744,710	US Treasury 0.625% Inflation Indexed Bonds 15/1/2024	4,700,670
US Treasury 1.25% Inflation Indexed Bonds 15/7/2020	4,131,917	US Treasury 0.125% Notes 15/1/2023	4,681,189
US Treasury 2.125% Inflation Indexed Bonds 15/2/2041	3,899,695	US Treasury 2.125% Inflation Indexed Bonds 15/2/2041	3,963,844
US Treasury 1.75% Bonds 30/11/2019	3,119,987	Treasury 0.125% Index Linked Gilts 22/11/2019	3,938,802
US Treasury 2% Bonds 31/1/2020	2,986,704	US Treasury 1.75% Bonds 30/11/2019	3,239,339
US Treasury 1.375% Bonds 30/9/2019	2,962,435	US Treasury 1.375% Bonds 30/9/2019	3,146,077
US Treasury 2.375% Inflation Indexed Bonds 15/1/2025	2,839,341	US Treasury 2% Bonds 31/1/2020	3,099,963
US Treasury 0.125% Index Linked Bonds 15/4/2020	2,814,640	US Treasury 2.375% Inflation Indexed Bonds 15/1/2025	2,813,602

Financial statements

Statement of total return

For the year ended 15 October 2019

	Notes	£k	Year ended 15 Oct 2019 £k	£k	Year ended 15 Oct 2018 £k
Income					
Net capital gains/(losses)	3		314		(1,363)
Revenue	4	2,360		1,680	
Expenses	5	(1,231)		(1,119)	
Interest payable and similar charges		—		—	
Net revenue before taxation		1,129		561	
Taxation	6	(84)		(72)	
Net revenue after taxation			1,045		489
Total return before distributions			1,359		(874)
Distributions	7		(2,248)		(1,593)
Change in net assets attributable to unitholders from investment activities			(889)		(2,467)

Statement of change in net assets attributable to unitholders

For the year ended 15 October 2019

	£k	Year ended 15 Oct 2019 £k	£k	Year ended 15 Oct 2018 £k
Opening net assets attributable to unitholders		97,281		97,014
Amounts receivable on issue of units	41,709		8,169	
Amounts payable on cancellation of units	(21,956)		(6,313)	
		19,753		1,856
Stamp duty reserve tax		—		72
Change in net assets attributable to unitholders from investment activities		(889)		(2,467)
Retained distribution on accumulation units		1,111		806
Closing net assets attributable to unitholders		117,256		97,281

The notes on pages 26 to 41 form an integral part of these financial statements.

Balance sheet

As at 15 October 2019

	Notes	£k	15 Oct 2019 £k	£k	15 Oct 2018 £k
Assets					
Fixed assets					
Investments			110,096		89,117
Current assets					
Debtors	8	17,470		368	
Cash and bank balances	9	7,578		8,284	
Total other assets			25,048		8,652
Total assets			135,144		97,769
Liabilities					
Investment liabilities			(323)		—
Creditors					
Distribution payable	10	(343)		(256)	
Other creditors	10	(17,222)		(232)	
Total other liabilities			(17,565)		(488)
Total liabilities			(17,888)		(488)
Net assets attributable to unitholders			117,256		97,281

The notes on pages 26 to 41 form an integral part of these financial statements.

Notes to the financial statements

1 Accounting policies

a Basis of accounting

The accounts have been prepared on a going concern basis in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP), including the Financial Reporting Standard 102 (FRS 102) and the Statement of Recommended Practice (Accounting and Reporting by Charities) issued by the Charity Commission in July 2014 and the Statement of Recommended Practice for Authorised Funds issued by the Investment Association in May 2014 (the SORP) as amended in June 2017.

b Revenue recognition

Dividends on ordinary stocks, including special dividends where appropriate, preference shares, and pooled funds are accrued to revenue on the dates when the investments are first quoted ex-dividend. Interest on government and other fixed interest stock and bank deposits are accrued on a daily basis.

Revenue on debt securities is recognised on the effective yield basis which takes into account the amortisation of any discounts or premiums arising on the purchase price, compared to the final maturity value, over the remaining life of the security. Accrued interest purchased or sold is excluded from the cost of the security and is recognised as revenue of the Fund.

c Special dividends, share buy-back or additional share issue

The underlying circumstances behind a special dividend, share buy-back or additional share issue are reviewed on a case by case basis in determining whether the amount is revenue or capital in nature. Amounts recognised as revenue form part of the distribution.

d Expenses

The Manager's fees, the Trustee's fees, custody fees, and transaction charges will be charged to the Fund's capital. All other expenses, such as audit fees and the fees of other professional advisors will be charged to the Fund's income. The expenses are accounted for on an accruals basis.

e Rebates

Rebates on underlying fund's management fees are accounted for on an accruals basis and are subsequently attributed to the Fund's revenue or capital depending on the fee structure of the underlying funds.

f Basis of valuation

All investments (excluding Collective Investment Schemes) are valued at bid-market values at the close of business on the last business day of the accounting year. Any unquoted, unlisted or delisted investments are valued by the Manager and reviewed by the Trustee. Collective Investment Schemes are valued at their published price.

Open forward currency contracts are valued based on the difference between the contract value and the market value adjusted by the prevailing spot rate and swap curve on the last business day of the accounting period.

Suspended securities are valued by the Manager having regard to the last dealing price on the date of suspension and subsequent available information.

g Foreign exchange

The functional currency of the Fund is pound sterling.

Assets and liabilities in foreign currencies are expressed in sterling at the rates of exchange ruling on the accounting date. Transactions in foreign currencies are translated into sterling at the exchange rates ruling on the transaction dates.

The Fund may enter into forward currency contracts to protect the sterling value of the underlying portfolio of securities against the effect of possible adverse movements in foreign exchange rates.

Fluctuations in the value of such forward currency contracts are recorded as unrealised gains or losses. Realised gains or losses include net gains or losses on transactions that have terminated by settlement or by the Fund entering into offsetting commitments.

h Taxation

The Fund is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable trust for UK income tax purposes. Accordingly, the charity is potentially exempt from taxation in respect of income or capital gains received within categories covered by Part 10 Income Tax Act 2007 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

2 Distribution policy

a Basis of distribution

Revenue produced by the Fund's investments accumulates during each quarterly distribution period. If, at the end of the distribution period, revenue exceeds expenses, the net revenue of the Fund is available to be distributed to unitholders. Any net revenue deficit will be borne by the capital account.

b Stock dividends

The ordinary element of stock received in lieu of cash dividends is recognised as revenue of the Fund. Any enhancement above the cash dividend is treated as capital. Stock dividends received in lieu of cash dividends form part of the distribution.

c Collective Investment Schemes

All distributions from Collective Investment Schemes are recognised when the securities are quoted ex-dividend. All distributions from holdings in CIS are treated as revenue with the exception of the equalisation element, which is treated as capital.

d Expenses

The Manager’s fees, the Trustee’s fees, custody charges and transaction charges are charged to the Fund’s capital. All other expenses, such as audit fees and the fees of other professional advisors will be charged to the Fund’s revenue.

e Special dividends

Amounts recognised as revenue will form part of the Fund's distributions.

3 Net capital gains/(losses)

	Year ended 15 Oct 2019 £k	Year ended 15 Oct 2018 £k
Gains/(losses) on non-derivative securities	3,596	(1,182)
Losses on derivative securities	(1,645)	(558)
(Losses)/gains on forward exchange contracts	(1,364)	506
Currency losses	(272)	(130)
Management fee rebates	2	5
Transaction charges	(3)	(4)
Net capital gains/(losses)	314	(1,363)

Net gains listed above of £315,248 comprise net realised gains of £1,154,486 and net unrealised losses of £(836,238) (2018 - losses of £(1,363,605) comprise net realised gains of £1,205,255 and net unrealised losses of £(2,568,860)).

4 Revenue

	Year ended 15 Oct 2019 £k	Year ended 15 Oct 2018 £k
Bank interest	1	1
Interest from overseas debt securities	289	74
Interest from UK debt securities	757	523
Overseas dividends	817	703
UK dividends	463	351
UK REIT dividends	33	28
Total revenue	2,360	1,680

5 Expenses

	Year ended 15 Oct 2019 £k	Year ended 15 Oct 2018 £k
Payable to the Manager, associates of the Manager and agents of either of them		
Manager's periodic charge	1,304	1,163
	1,304	1,163
Payable to the Trustee, associates of the Trustee and agents of either of them		
Trustee's fee	53	48
Safe custody fees	9	8
	62	56
Other expenses		
Audit fee*	14	15
Legal fees	14	—
VAT recovered	(163)	(115)
	(135)	(100)
Total expenses	1,231	1,119

*The audit fee for the period, excluding VAT, was £12,000 (2018 - £12,000).

6 Taxation

	Year ended 15 Oct 2019 £k	Year ended 15 Oct 2018 £k
Overseas tax suffered	84	72

The Fund is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable trust for UK income tax purposes. Accordingly, the Fund is potentially exempt from taxation in respect of income or capital gains received within categories covered by Part 10 Income Tax Act 2007 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

7 Distributions

	Year ended 15 Oct 2019 £k	Year ended 15 Oct 2018 £k
1st Interim		
Income	220	113
Accumulation	219	129
	439	242
2nd Interim		
Income	280	198
Accumulation	303	203
	583	401
3rd Interim		
Income	369	224
Accumulation	298	232
	667	456
Final (payable 15 December)		
Income	343	256
Accumulation	291	242
	634	498
Less: Amounts received on issue of units	(133)	(13)
Add: Amounts deducted on cancellation of units	58	9
Net distributions for the year	2,248	1,593
Reconciliation of net revenue after taxation to net distributions for the year		
Net revenue after taxation	1,045	489
Capitalised fees	1,203	1,104
Net distributions for the year	2,248	1,593

Details of the distribution per unit are set out in the tables on pages 42 to 43.

8 Debtors

	15 Oct 2019 £k	15 Oct 2018 £k
Accrued revenue from debt securities	62	43
Accrued revenue from dividends	127	155
Overseas tax recoverable	71	47
Foreign currency contracts awaiting settlement	10,882	27
Sales awaiting settlement	6,328	96
Total debtors	17,470	368

9 Cash and bank balances

	15 Oct 2019 £k	15 Oct 2018 £k
Cash and bank balances	7,578	8,284
Total cash and bank balances	7,578	8,284

10 Creditors

	15 Oct 2019 £k	15 Oct 2018 £k
a) Distribution payable		
Net distribution payable	343	256
Total distribution payable	343	256
b) Other creditors		
Accrued expenses	23	23
Accrued management expenses	181	151
Foreign currency contracts awaiting settlement	10,870	26
Purchases awaiting settlement	6,148	32
	17,222	232

11 Related party transactions

The Manager is a related party (under FRS 102). Details of any related party transactions occurring during the year and any balances due at the year end are fully disclosed in the Statement of Change in Net Assets Attributable to Unitholders, the Balance Sheet and Notes 3, 5 and 10 to the financial statements.

At the year end the Fund held the following investments, which are managed by the Manager of the Fund, or the Manager's parent entity.

Shares	Name	Market Value £k	Revenue for the year
16,278,414	Ruffer Illiquid Multi Strategies Fund 2015	8,249	£nil
6,214	Ruffer Illiquid Strategies Fund 2011	94	£nil
1,425,759	Ruffer Protection Strategies International	1,917	£nil

12 Financial instruments

Further information on the risk exposure of the Fund is given on pages 13 to 16 in the financial statements.

a Credit risk

Certain transactions in securities that the Fund enters into expose it to risk that the counterparty will not deliver the investment (purchase) or cash (sale) after the Fund has fulfilled its responsibility.

At 15 October 2019, the Fund held non exchange traded derivatives in the form of forward currency contracts. The counterparty exposure is shown below

Counterparty Details of OTC Financial Derivative Transaction	Forwards £k
BNY Mellon	1,337

12 Financial instruments

b Valuation of financial investments

The categorisation of financial investments in the tables below reflects the methodology used to measure their fair value.

	Assets £k	Liabilities £k
15 October 2019		
Level 1: Quoted prices for identical instruments in active markets	57,073	—
Level 2: Valuation techniques using observable market data	53,023	(323)
Total	110,096	(323)
15 October 2018		
Level 1: Quoted prices for identical instruments in active markets	49,639	—
Level 2: Valuation techniques using observable market data	39,478	—
Total	89,117	—

12 Financial instruments

c Currency risk exposure

The foreign currency risk exposure of the Fund as at 15 October 2019 was as follows

	Net foreign currency assets		
	Monetary exposures £k	Non-monetary exposures £k	Total £k
Euro	—	2,552	2,552
Hong Kong dollar	—	1,850	1,850
Yen	—	10,486	10,486
Norwegian krone	—	2,242	2,242
Swedish krona	—	1,002	1,002
Swiss franc	—	19	19
US dollar	16	5,903	5,919
Total	16	24,054	24,070

The foreign currency risk exposure of the Fund as at 15 October 2018 was as follows

	Net foreign currency assets		
	Monetary exposures £k	Non-monetary exposures £k	Total £k
Euro	2	427	429
Hong Kong dollar	—	1,638	1,638
Yen	—	6,202	6,202
Norwegian krone	—	2,049	2,049
Swedish krona	—	7	7
Swiss franc	—	10	10
US dollar	237	14,307	14,544
Total	239	24,640	24,879

12 Financial instruments

d Interest rate risk

The table below summarises in sterling terms the investments whose values are affected by changes in interest rates, as at 15 October 2019.

	Floating rate financial investments £k	Fixed rate financial investments £k	Financial investments not carrying interest £k	Total £k
Investment assets	—	41,102	68,994	110,096
Investment liabilities	—	—	(323)	(323)
Total	—	41,102	68,671	109,773

The table below summarises in sterling terms the investments whose values are affected by changes in interest rates, as at 15 October 2018.

	Floating rate financial investments £k	Fixed rate financial investments £k	Financial investments not carrying interest £k	Total £k
Investment assets	—	38,244	50,873	89,117
Investment liabilities	—	—	—	—
Total	—	38,244	50,873	89,117

e Fair value disclosure

There is no material difference between the value of the financial assets and liabilities, as shown in the Balance Sheet, and their fair value.

f Sensitivity analysis

Please refer to the risk review on pages 13 to 16.

Currency risk

Currency risk is actively monitored by the Manager's risk team and reviewed on a regular basis by the investment team.

12 Financial instruments

The table below summarises the sensitivity of the portfolio to sterling (the Fund's base currency) weakening against the following principal currencies as at the reporting date and the impact this will have on the net capital gains/(losses) and net asset value of the Fund. A strengthening of sterling against the same currencies will have resulted in an equal but opposite effect. The analysis assumes that all other variables are held constant.

15 October 2019	Decrease in net capital gains and increase in net asset value due to 10% weakening of base currency £
Yen	£1,040,054
US dollar	£604,423

15 October 2018	Decrease in net capital losses and increase in net asset value due to 10% weakening of base currency £
Yen	606,735
US dollar	1,449,210

Interest rate risk

An increase of 100 basis points (1%) as at the reporting date will cause net capital gains to increase by £3,766,134 and the net asset value to increase by £3,766,134 (15 Oct 2018 will cause net capital losses to increase by £173,791 and the net asset value to decrease by £173,791).

A decrease of 100 basis points (1%) as at the reporting date will cause net capital gains to increase by £487,760 and the net asset value to increase by £487,760 (15 Oct 2018 will cause net capital losses to decrease by £4,332,633 and the net asset value to increase by £4,332,633).

Equity price risk

A 5% increase in equity market prices as at the reporting date will cause net capital gains to increase by £1,230,171 and the net asset value to increase by £1,230,171 (15 Oct 2018 will cause net capital losses to decrease by £1,040,259 and the net asset value to increase by £1,040,259).

A 5% decrease in equity market prices as at the reporting date will cause net capital gains to decrease by £1,298,252 and the net asset value to decrease by £1,298,252 (15 Oct 2018 will cause net capital losses to increase by £958,024 and the net asset value to decrease by £958,024).

12 Financial instruments

g Leverage

In accordance with the AIFMD, we are required to disclose the 'leverage' of the Fund. Leverage is defined as any method by which the Fund increases its exposure through borrowing or the use of derivatives. 'Exposure' is defined in two ways: 'Gross method' and 'Commitment method' and the Fund must not exceed maximum exposures under both methods.

The Commitment method shall be the sum of the absolute value of all positions and each derivative position (excluding forward currency positions) will be converted into the equivalent position in the underlying assets. The Gross method shall exclude the value of any cash and cash equivalents from the sum of the absolute value of all positions. The Manager must set maximum leverage levels and operate the Fund within these levels at all times.

There are two ways in which the Manager can introduce leverage to the Fund. These are by borrowing money using its overdraft facility, and by investing in derivative positions. The Fund does not currently borrow or reinvest collateral. Derivatives are not currently used to increase or gain additional exposure. The Fund is limited to investing in instruments where the maximum loss is limited to the initial commitment paid.

The maximum level of leverage which the Manager may employ for the account of the Fund is equal to 250% and 150% of the Net Asset Value when respectively calculated in accordance with the Gross and Commitment methods set out in the AIFMD Rules. This maximum level has been set by the Manager in order to satisfy its obligations under the AIFMD Rules. In addition, the Gross leverage methodology does not allow for offsets of hedging transactions and other risk mitigation strategies involving derivatives, such as hedging and duration management.

The leverage within the Fund is calculated on a quarterly basis, with the leverage under the Gross method as at 30 September 2019 being 142% of the Net Asset Value (2018: 120%) and under the Commitment method was 99% of the Net Asset Value (2018: 100%).

13 Portfolio transaction costs

For the year ended 15 October 2019

Purchases (excluding derivatives)	Transaction value £k	Commissions £k	%	Taxes £k	%
Equity instruments (direct)	37,562	10	0.03	6	0.02
Debt instruments (direct)	50,886	—	—	—	—
Collective investment schemes	3,792	—	—	—	—
Total purchases	92,240	10		6	
Total purchases including transaction costs	92,256				

Sales (excluding derivatives)	Transaction value £k	Commissions £k	%	Taxes £k	%
Equity instruments (direct)	23,392	9	0.04	—	—
Debt instruments (direct)	51,928	—	—	—	—
Collective investment schemes	699	—	—	—	—
Total sales	76,019	9		—	
Total sales net of transaction costs	76,010				
Total transaction costs		19		6	
Total transaction costs as a % of average net assets		0.02%		0.00%	

13 Portfolio transaction costs

For the year ended 15 October 2018

Purchases (excluding derivatives)	Transaction value £k	Commissions £k	%	Taxes £k	%
Equity instruments (direct)	17,624	7	0.04	17	0.10
Debt instruments (direct)	25,813	—	—	—	—
Collective investment schemes	4,310	1	0.02	—	—
Total purchases	47,747	8		17	
Total purchases including transaction costs	47,772				

Sales (excluding derivatives)	Transaction value £k	Commissions £k	%	Taxes £k	%
Equity instruments (direct)	19,004	15	0.08	—	—
Debt instruments (direct)	30,293	—	—	—	—
Collective investment schemes	2,254	—	—	—	—
Total sales	51,551	15		—	
Total sales net of transaction costs	51,536				
Total transaction costs		23		17	
Total transaction costs as a % of average net assets		0.02%		0.02%	

The above analysis covers any direct transaction costs suffered by the Fund during the year. However, it is important to understand the nature of other transaction costs associated with different investment asset classes and instruments types.

Separately identifiable direct transaction costs (commissions and taxes etc) are attributable to the Fund's purchase and sale of equity shares. Additionally, for equity shares there is a dealing spread cost (the difference between the buying and selling prices) which will be suffered on purchase and sale transactions.

For the Fund's investment transactions in debt and money market instruments any applicable transaction charges form part of the dealing spread for these instruments. Transactions in money market instruments to manage the Fund's daily liquidity position are excluded from the analysis.

13 Portfolio transaction costs

For the Fund's investment in collective investment scheme holdings there will potentially be dealing spread costs applicable to purchases and sales. However, additionally there are indirect transaction costs suffered in those underlying funds, throughout the holding period for the instruments, which are not separately identifiable and do not form part of the analysis above.

Dealing spread costs suffered by the Fund vary considerably for the different asset/instrument types depending on a number of factors including transaction value and market sentiment.

At the balance sheet date the average portfolio dealing spread (difference between bid and offer prices of all investments expressed as a percentage of the offer price value) was 0.13% (2018: 0.12%).

14 Unit movement

For the year ended 15 October 2019

	Income units	Accumulation units
Opening units	43,170,153	36,133,984
Units issued	21,080,377	13,668,996
Units cancelled	(8,773,672)	(9,001,710)
Closing units	55,476,858	40,801,270

15 Commitments and contingent liabilities

There were no commitment or contingent liabilities as at the balance sheet date (15 Oct 2018: £nil).

16 Material events post balance sheet date

There are no material post balance sheet events.

Distribution tables

For the year ended 15 October 2019

Final distribution

For the period from 16 July 2019 to 15 October 2019

Group 1: Units purchased on or before 15 July 2019
Group 2: Units purchased from 16 July 2019 to 15 October 2019

	Net revenue pence per unit	Equalisation pence per unit*	Distribution payable 15 Dec 2019 pence per unit	Distribution paid 15 Dec 2018 pence per unit
Income units				
Group 1	0.6182	—	0.6182	0.5922
Group 2	0.5972	0.0210	0.6182	0.5922
Accumulation units				
Group 1	0.7128	—	0.7128	0.6692
Group 2	0.1465	0.5663	0.7128	0.6692

Third interim distribution

For the period from 16 April 2019 to 15 July 2019

Group 1: Units purchased on or before 15 April 2019
Group 2: Units purchased from 16 April 2019 to 15 July 2019

	Net revenue pence per unit	Equalisation pence per unit*	Distribution paid 15 Sep 2019 pence per unit	Distribution paid 15 Sep 2018 pence per unit
Income units				
Group 1	0.6100	—	0.6100	0.5699
Group 2	0.1332	0.4768	0.6100	0.5699
Accumulation units				
Group 1	0.6998	—	0.6998	0.6409
Group 2	0.5933	0.1065	0.6998	0.6409

*Equalisation only applies to units purchased during the distribution period (Group 2 units). It is the average amount of revenue included in the purchase price of all Group 2 units and is refunded to holders of these units as a return of capital. Being capital, it is not liable to Income Tax but must be deducted from the cost of units for Capital Gains Tax purposes.

Second interim distribution

For the period from 16 January 2019 to 15 April 2019

Group 1: Units purchased on or before 15 January 2019
Group 2: Units purchased from 16 January 2019 to 15 April 2019

	Net revenue pence per unit	Equalisation pence per unit*	Distribution paid 15 Jun 2019 pence per unit	Distribution paid 15 Jun 2018 pence per unit
Income units				
Group 1	0.6191	—	0.6191	0.5038
Group 2	0.2946	0.3245	0.6191	0.5038
Accumulation units				
Group 1	0.7063	—	0.7063	0.5642
Group 2	0.3187	0.3876	0.7063	0.5642

First interim distribution

For the period from 16 October 2018 to 15 January 2019

Group 1: Units purchased on or before 15 October 2018
Group 2: Units purchased from 16 October 2018 to 15 January 2019

	Net revenue pence per unit	Equalisation pence per unit*	Distribution paid 15 Mar 2019 pence per unit	Distribution paid 15 Mar 2018 pence per unit
Income units				
Group 1	0.4974	—	0.4974	0.2907
Group 2	0.2038	0.2936	0.4974	0.2907
Accumulation units				
Group 1	0.5650	—	0.5650	0.3247
Group 2	0.1236	0.4414	0.5650	0.3247

*Equalisation only applies to units purchased during the distribution period (Group 2 units). It is the average amount of revenue included in the purchase price of all Group 2 units and is refunded to holders of these units as a return of capital. Being capital, it is not liable to Income Tax but must be deducted from the cost of units for Capital Gains Tax purposes.

Other information

Charity Assets Trust is a common investment fund established under section 96 of The Charities Act 2011 by the Scheme.

Copies of the Scheme and the current Scheme Particulars, together with the most recent annual and half-yearly reports of the Fund (when available) may be inspected and copies may be obtained during ordinary business hours on any Business Day at the registered and head office of the Manager.

Manager's remuneration

Background

Ruffer AIFM Limited, hereafter 'RAIFM', is subject to the Financial Conduct Authority's (FCA) AIFM remuneration code ('the AIFM Remuneration Code') and follows the requirements of the Remuneration Policy of 'Ruffer Group' or 'Ruffer', being Ruffer LLP and its subsidiaries. RAIFM was authorised as an AIFM on 21 July 2014.

The data used in the analysis for this disclosure is taken from the Ruffer LLP financial year ending 31 March 2019.

Remuneration policies and principles

This remuneration disclosure has been prepared as required by, and based on Articles 22 e) and f) of the Alternative Investment Fund Managers Directive (AIFMD), article 107 of the AIFMD delegated regulation and the guidance provided in the European Securities and Markets Authority, Guidelines On Sound Remuneration Practices 2013/232, chapter XIII 'External Disclosure'.

RAIFM has undertaken an assessment of the size, risk profile, complexity and nature of each of its AIFs to assess its overall size, risk profile and complexity. In undertaking its assessment, RAIFM has used a range of factors based on guidelines issued by the FCA. The factors taken into account by RAIFM include the size of its assets under management, the risk profile of the AIFs it manages, the investor base of each AIF, its risk management framework, and the partnership structure of its parent company, Ruffer LLP.

In its overall assessment of these factors RAIFM has concluded that its size, risk profile and complexity is such that it is appropriate for the AIFMD remuneration rules relating to deferral of variable remuneration awarded to Remuneration Code Staff to be dis-applied, and for remuneration disclosures including quantitative information, to be made in a proportionate manner.

RAIFM, as a subsidiary of Ruffer LLP, benefits from the resources available within Ruffer LLP, utilises the staff of Ruffer LLP pursuant to a secondment agreement and is subject to the remuneration policies and practices that are applied therein. In determining, maintaining and implementing the remuneration policies and practices of an AIFM, as well as in determining the remuneration of the Remuneration Code Staff working for RAIFM, it observes the remuneration policies and practices that are applied at the Ruffer Group level and may consult, or receive guidance from Ruffer LLP's control functions to ensure consistency. Remuneration programs are designed to satisfy the following key Ruffer Group-wide remuneration objectives: (i) support business strategy, objectives, values and long-terms interests, (ii) avoid conflicts of interests in particular to ensure that remuneration decisions are taken in an independent manner and transparent manner, align remuneration with shareholders' interests, and (iii) mitigate excessive risk-taking in excess of Ruffer's risk appetite.

As Ruffer LLP is a significant CRD IFPRU firm, Ruffer LLP staff remuneration follows CRD requirements. Under its application of the AIFMD remuneration rules, the FCA accepts that CRD remuneration rules are considered as equally effective to those under the AIFMD.

In support of these objectives, annual compensation for Ruffer LLP's employees is comprised of two key elements: fixed remuneration, and variable remuneration (variable incentive compensation) that is discretionary. Remuneration Code Staff of Ruffer LLP are compensated wholly by way of a discretionary profit allocation.

RAIFM complies with policies and applies principles in determining remuneration so as to align incentives of Remuneration Code Staff with business objectives, to support the delivery of RAIFM's business plans and corporate values, to avoid conflicts of interest and to enable the right calibre of staff to be recruited. RAIFM also seeks to ensure that the principles applied are consistent with and promote sound and effective risk management and do not encourage risk-taking that is inconsistent with the risk profiles, rules or instruments of incorporation of the AIFs managed by RAIFM.

The following elements are taken into account in the design, implementation and oversight of RAIFM's remuneration policies and practices

- overall corporate governance principles and structures, as well as their interactions with the remuneration system and the fact that Ruffer LLP is owned by its members
- the inputs provided by all competent control functions (ie human resources, risk management, compliance, internal audit, etc), which will be properly involved in the design of its remuneration policy
- the clear distinction between operating and control functions, the safeguards for preventing conflicts of interests and the internal reporting system.

Ruffer ensures that its remuneration practices benefit the long term business strategy and promote the longevity of the business, whilst ensuring that Ruffer's clients remain at its heart. The design and the governance of Ruffer's remuneration policies ensure that remuneration practices promote sound and effective risk management and do not encourage risk-taking in excess of Ruffer's risk appetite. The staff are not incentivised to act in ways that might undermine these principles.

The appropriateness of the Ruffer Group Remuneration Policy is reviewed on an annual basis by the Ruffer Group Remuneration Committee and recommended to the Ruffer Group Management Board for approval.

Ruffer LLP allocates net profit to its Remuneration Code Staff through a discretionary profit allocation. The discretionary profit allocation is based on two criteria: contribution to clients/job performance; and current and potential contribution to the firm. The profit share of Remuneration Code Staff is proposed by the Executive Committee and reviewed and approved by the Remuneration Committee. The discretionary amount is subject to Ruffer LLP's deferral and alignment with client interest provisions of the Ruffer LLP partnership deed.

Quantitative information

RAIFM is required to include in this report certain aggregate remuneration details for the 'entire staff of the AIFM' and separately for the senior management team and members of staff whose actions have a material impact on the risk of the AIFs. RAIFM does not employ any staff. All staff engaged in the RAIFM business are staff of Ruffer LLP who work for RAIFM on a secondment basis. Based on the proportionality principle referred to above, only the remuneration of the Remuneration Code Staff has been included.

Number of Ruffer LLP Identified Staff as at 31 March 2019	46
Total remuneration of Ruffer LLP Identified Staff during the year to 31 March 2019	£100.0m

Important information

Past performance is not a guide to future returns. The value of investments and any revenue will fluctuate (this may be partly due to exchange rate fluctuations) and investors may not get back the full amount invested.

Further details of the Funds and it's risk factors can be found in the Scheme Particulars which is available from the Manager.

If you have any doubt about the suitability of an investment, you should consult an independent financial adviser.

Charity Registration Number

Charity Assets Trust 1146166

Important information

The Fund
Charity Assets Trust
80 Victoria Street
London SW1E 5JL

Manager and Registrar
Ruffer AIFM Limited
80 Victoria Street
London SW1E 5JL
Authorised and regulated by the Financial Conduct Authority

Trustee and Custodian
The Bank of New York Mellon (International) Limited
One Canada Square
London E14 5AL
Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority

Auditor
Ernst & Young LLP
25 Churchill Place
Canary Wharf
London E14 5EY