

# Charity Assets Trust

Positive absolute returns with low volatility for charities

During January the fund price fell by 1.1%. This compared with a fall of 3.1% in the FTSE All-Share Index and a rise of 3.6% in the FTSE Government All-Stocks Index (both figures total returns in sterling).

In January we saw a replay of the falls in energy prices and stocks that we saw in the summer of 2015. Some falls were sufficient to qualify for 'bear market' in definition, and indeed this was the worst start for global equity markets since 2009. Once again, renewed concerns about a hard landing in China triggered the downturn. Both Brent and West Texas prices for crude oil fell below \$30 reaching a seven year low. Sterling weakened sharply against the dollar, the yen and the euro. Bond yields, unlike August last year, contracted. Intriguingly stock prices became almost perfectly correlated with the oil price throughout the month, and the short-lived oil price rally in the last week of January to \$33 dollars coincided with an equity rally offsetting half of the double digit losses seen in most developed markets from peak to trough in the period.

Our equity holdings largely detracted from performance, with a few notable exceptions such as Wm Morrison and BT. Positive contributors came from our protective positions, and the biggest came from the long dated index-linked bonds which rose in value as yields fell. Gold was also helpful amidst the increasing volatility (a combination of bullion and miners is held within the fund).

The big news at the end of the month was a shock announcement from the Bank of Japan that it was to cut interest rates to minus 0.1%. This signalled that Japan was joining the 'negative interest rates' club' along with existing members Switzerland, Denmark, Sweden and the euro area. The short-term result was a sharp rise in the majority of Japanese shares, with banks and insurers being the exception. Negative rates are no longer a fringe activity, but part of the standard tool kit of central banks. We suspect that negative rates alone will not be sufficient to stave off deflationary forces and that a combination of monetary and fiscal stimulus will be exercised in due course.

The actions of central banks in Japan and Europe highlight the contrast with the US Federal Reserve. Despite providing investors with soothing tones, the Federal Reserve still appears to be intent on raising rates four times in 2016. Market expectations are less optimistic. The Federal Reserve will have to decide whether it wants to continue tightening policy for reasons of financial stability or defer hikes until growth (and inflation) trends are firmly established.

As ever there will be opportunities to seek returns but our long held concern that the ogre of deflation will force the hand of central authorities into ever more radical measures means we must continue to hold sufficient protection. As such, we hold a low weighting by our standards in equities (some 32%), a high cash level, and as the battle between deflation and inflation is likely to intensify, armoury against both pressures in the form of index-linked bonds and gold, alongside strategies which will benefit from growing spreads across the credit risk curve and rising volatility. It is likely through 2016 that we will continue to see deflationary shocks followed by more intervention from the central authorities, and as such volatility will most likely return to more normal (higher) levels.

Please note that the Charity Assets Trust is an unregulated collective investment scheme (UCIS) available only to eligible charities as defined overleaf.



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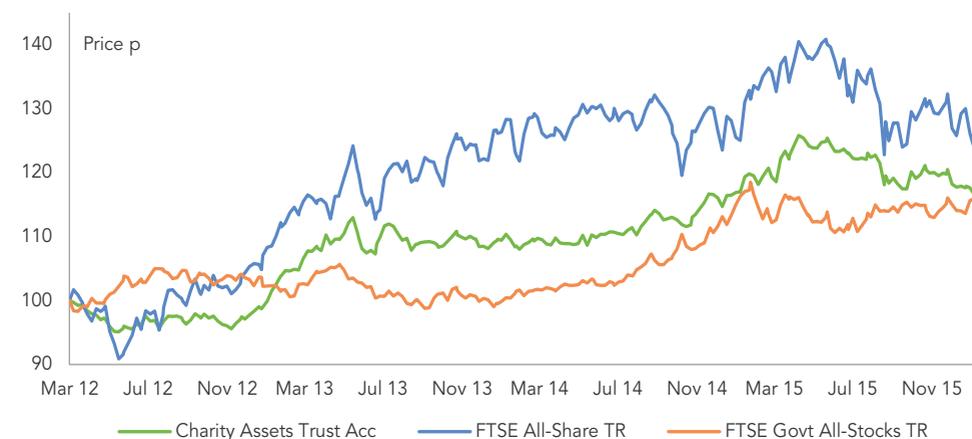
## Investment objective

The fund aims to achieve low volatility and positive returns from an actively managed portfolio of different asset classes, including equities, bonds and currencies. Pervading this objective is a fundamental philosophy of capital preservation.

## Ethical policy

The fund has an ethical screening policy which restricts investment in alcohol, armaments, gambling, pornography and tobacco.

## Performance since launch on 8 March 2012



Performance %	January 2016	Year to date	1 year	3 years	5 years	10 years
Accumulation units	-1.1	-1.1	-2.6	12.3	na	na
Percentage growth		%				
			<b>Share price as at 29 January 2016</b>		<b>p</b>	
31 Dec 2014 – 31 Dec 2015		1.2	<b>Accumulation</b>		<b>116.62</b>	
31 Dec 2013 – 31 Dec 2014		6.5	<b>Income</b>		<b>107.94</b>	
31 Dec 2012 – 31 Dec 2013		10.7				
31 Dec 2011 – 31 Dec 2012		na				
31 Dec 2010 – 31 Dec 2011		na				

Source: Ruffer LLP

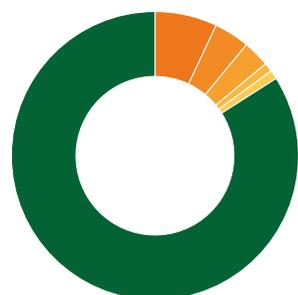
Ruffer performance is shown after deduction of all fees and management charges, and on the basis of income being reinvested. Past performance is not a guide to future performance. The value of the shares and the income from them can go down as well as up and you may not get back the full amount originally invested. The value of overseas investments will be influenced by the rate of exchange.

# Charity Assets Trust as at 29 January 2016

## Portfolio structure



Asset allocation	%		%
● Cash	18	● Japan equities	15
● Non-UK index-linked	18	● UK equities	8
● Index-linked gilts	13	● North America equities	7
● Long dated index-linked gilts	11	● Europe equities	1
● Gold and gold equities	4	● Asia ex Japan equities	1
		● Illiquid strategies	4



Currency allocation	%
● Sterling	84
● Yen	7
● Gold	4
● US dollar	3
● Euro	1
● Other	1

## 5 largest of 12 bond holdings

Stock	% of fund
UK Treasury index-linked 0.5% 2050	6.6
US TIPS 1.125% 2021	6.3
UK Treasury index-linked 0.125% 2024	5.3
UK Treasury index-linked 1.875% 2022	5.2
US TIPS 2.125% 2019	3.4

Source: Ruffer LLP

## 5 largest of 54 equity holdings\*

Stock	% of fund
ETFs Physical Gold	2.5
Dai-ichi Life Insurance	1.8
Sumitomo Mitsui Financial	1.5
Exxon Mobil	1.5
Microsoft	1.4

\* Excludes holdings in pooled funds

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Fund size £62.7m

## Fund information

Ongoing Charges Figure	1.19
Annual management charge	1.0 + VAT
Maximum initial charge	1.0
Yield	1.4
Minimum investment	£500
Ex dividend dates	15 January, 15 April, 15 July, 15 October
Pay dates	15 March, 15 June, 15 September, 15 December
Dealing	Weekly forward, every Wednesday
Cut off	Close of business on Wednesday
Unit classes	Accumulation and income
ISIN	Accumulation GB00B740TC99 Income GB00B7F77M57
SEDOL	B740TC9 B7F77M5
Manager and investment adviser	Ruffer AIFM Limited
Trustee	BNY Mellon Fund & Depository (UK) Limited
Custodian	Bank of New York Mellon SA/NV
Administrator	Bank of New York Mellon (International) Limited
Auditors	Ernst & Young UK LLP
Legal advisers	Simmons & Simmons LLP
Structure	Common Investment Fund established under section 24 of The Charities Act 1993

Eligible charities are those registered as a charity with the Charity Commission for England and Wales, the Office of the Scottish Charity Regulator and/or Inland Revenue Charities, Bootle, Merseyside (including charities established in Northern Ireland), or exempt from registration with the Charity Commission by virtue of the Charities Act 1993 (as amended).

## Fund Manager

**Christopher Querée**  
INVESTMENT DIRECTOR



Previously Director at Le Masurier, James & Chinn, now absorbed within the HSBC Group. He spent thirteen years there, with responsibility for offshore private clients

before moving to Chiswell Associates in 2001, focusing on charity fund management. He holds an MBA from Henley Management College and joined the Ruffer Group in 2004.

## Ruffer LLP

Ruffer LLP manages investments on a discretionary basis for private clients, trusts, charities and pension funds. As at 31 January 2016, assets managed by the Ruffer Group exceeded £18.0bn, of which charities represented £2.1bn.

## Dealing line

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