

# Charity Assets Trust

Positive absolute returns with low volatility for charities



March 2016 Issue 49

During March the fund price rose by 1.9%. This compared with a rise of 1.9% in the FTSE All-Share Index and a fall of 0.1% in the FTSE Government All-Stocks Index (both figures total returns in sterling).

Market sentiment improved somewhat in March as central bank policy moves and ongoing guidance went some way to reassure investors that the armoury for further stimulus is not yet fully depleted – at least not quite. It was notable that the latest trigger pull from the European Central Bank – the expansion of its monthly assets purchase to €80bn and a move on its deposit facility into negative territory to -0.4% – received a relatively muted response. The sense that monetary policy is increasingly resembling a ‘busted flush’ continues to grow, and with it the pressure for the ‘whatever it takes’ mantle to be passed onto governments in terms of more active fiscal policy as opposed to resting firmly on the shoulders of the central banks.

It was notable that the regional equity market showing the most robust performance was the US, where reassuring words from Mrs Yellen stated that ‘reflecting global economic and financial developments since December the pace of rate increases is now expected to be somewhat slower’. With the Federal Reserve now indicating that, much in line with market expectations, no more than two interest rate increases are likely in 2016, it remains to be seen if the fragility of the global economy will in fact leave the Bank on hold for much of the year as far as interest rates moves are concerned. While the diminishing intent for a further ‘normalisation’ might be sufficient to provide something of a relief rally for markets, it does, however, highlight the quagmire from which the global economy has yet to emerge.

The UK’s Office for Budget Responsibility’s latest economic update provides a series of forecasts for UK economic growth out to 2020 and in each successive year the number is essentially 2%. Coming from one of the relatively more robust global economies this is perhaps a useful indication of the impasse faced by global policy makers: growth is positive but anaemic, and monetary policy is close to being exhausted. This leaves the thorny question of the unaddressed global debt problem. In the case of the UK, estimates of the growth rate required to meaningfully chip away at the underlying debt burden are significantly ahead of current and forecast trends in growth. A similar pattern continues to prevail in the US. Hence the US caution on interest rate hikes, and the growing calls from the likes of the IMF for ‘bold multilateral actions and co-ordinated demand support using available fiscal space to boost public investment’.

Given the tensions described above, we remain of the view that index-linked bonds should remain at the heart of the Trust’s asset mix. Equities remain at the low end of 30% and we continue to avoid areas where the influence of bond markets has seen shares re-rate due to their perceived bond like characteristics and steady yields. It was notable that the Trust’s most significant single equity contributor was in the UK food retail sector. This was not the only unfashionable sector which outperformed last month.

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

## 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 %	March 2016	Year to date	1 year	3 years	5 years	10 years
Accumulation units	1.9	1.1	-2.5	10.1	na	na
Percentage growth		%				
31 Mar 2014 – 31 Mar 2015		-2.5				<b>119.13</b>
31 Mar 2013 – 31 Mar 2014		11.6				<b>110.27</b>
31 Mar 2012 – 31 Mar 2013		1.1				
31 Mar 2011 – 31 Mar 2012		9.3				
31 Mar 2010 – 31 Mar 2011		na				

Source: Ruffer LLP

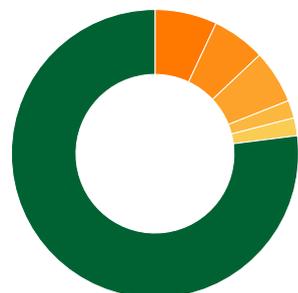
Ruffer performance is shown after deduction of all fees and management charges, and on the basis of income being reinvested. Past performance is not a guide to future performance. The value of the shares and the income from them can go down as well as up and you may not get back the full amount originally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

# Charity Assets Trust as at 31 March 2016

## Portfolio structure



Asset allocation	%		%
● Non-UK index-linked	18	● Japan equities	13
● Index-linked gilts	12	● North America equities	7
● Long dated index-linked gilts	10	● UK equities	7
● Short-dated bonds	4	● Europe equities	3
● Cash	15	● Asia ex Japan equities	1
● Gold and gold equities	6		
● Illiquid strategies	4		



Currency allocation	%
● Sterling	77
● US dollar	7
● Yen	6
● Gold	6
● Euro	2
● Other	2

## 5 largest of 13 bond holdings

Stock	% of fund	Stock	% of fund
UK Treasury index-linked 0.5% 2050	6.2	Nomura Real Estate	1.6
US TIPS 1.125% 2021	5.9	Dai-ichi Life Insurance	1.5
UK Treasury index-linked 0.125% 2024	5.0	Sony	1.5
UK Treasury index-linked 1.875% 2022	4.9	Emerson Electric	1.4
UK T-Bill 0.0% 2016	4.5	Oracle	1.4

Source: Ruffer LLP

## 5 largest of 48 equity holdings\*

Stock	% of fund
Nomura Real Estate	1.6
Dai-ichi Life Insurance	1.5
Sony	1.5
Emerson Electric	1.4
Oracle	1.4

\* Excludes holdings in pooled funds

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Fund size £67.7m

## Fund information

Ongoing Charges Figure	1.19
Annual management charge	1.0 + VAT
Maximum initial charge	1.0
Yield	1.5
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 March 2016, assets managed by the Ruffer Group exceeded £18.2bn, of which charities represented £2.0bn.

## Dealing line

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