

Charity Assets Trust

Positive absolute returns with low volatility for charities

During July, the fund price rose by 2.7%. This compared with a rise of 4.0% in the FTSE All-Share Index and a rise of 2.0% in the FTSE Govt All-Stocks Index (both figures are total returns in sterling).

Brexit has certainly provided the central authorities of the world with the excuse they needed to adopt increasingly more dovish tones. This has elicited a positive response from bond and equity markets over the month. The Trust's Japanese stocks were the strongest contributor to its performance and the banks and insurance companies were the most sensitive to the Japanese equity rally, producing double digit returns. Gold and bonds were once more positive contributors, as were the majority of our equities in the UK and the US. Our oil stocks lost some ground during the month as the oil price drifted towards \$40.

In Europe, the trouble in the Italian banking sector provided an opportunity for Mario Draghi to say he would back a bailout in 'exceptional circumstances'. We anticipate more bending of the rules in the near future to allow the southern EU countries to loosen their fiscal straitjackets. In the UK, Osborne's austerity was removed from HM Treasury as swiftly as he was and for good measure the Bank of England has been threatening lower rates. In the US, it is notable that both the Republican and Democrat nominations are focusing heavily on fiscal policy. And finally, in Japan, the market eagerly awaits the much touted 'fiscal package,' as Prime Minister Abe's government prepares to form a powerful ally alongside the Bank of Japan in the fight against deflation.

With \$12tn of fixed income reportedly yielding less than zero it is not surprising to see a shift from monetary stimulus to fiscal packages. The limits of central banking alone have arguably been reached. In the absence of fiscal spending, it is likely the current monetary trap would continue during the following economic cycle: the US moot a rate rise; in turn the dollar rallies; the strength of the dollar pressurises China and emerging markets; global deflation fears rise; stock markets fall; the Fed u-turns on its guidance; repeat.

A major fiscal response is seemingly the only option remaining to break this cycle. Whether the first wave of fiscal expenditure will be sufficient to boost general price inflation or if outright 'helicopter money' will be required is yet to be seen, but the stakes are high. A significant magnitude of government spending is certain eventually to raise general prices (as opposed to the asset price rises we have become accustomed to from monetary policy). However, it is a blunt tool and very likely to overshoot. The key risk to investors is that a successful general price inflation will boost nominal GDP (and erode debt) but will shrink asset prices. We saw something similar in the stock market crash of the early 1970s in the UK where, peak to trough, equities fell 52% in real terms. Indeed if in 1968, you had held a balanced portfolio of both UK equities and bonds, it would have taken you until 1982, ie 14 years later, to get your investment back in real terms. Neither of the core asset class is safe from 'stagflation' (low growth coupled with inflation). We believe this is a significant risk to charitable endowments and there are obvious implications for those charities which seek to maintain their funding obligations in this environment. While we may be some time away from the inflationary tipping point, the events of the past month have undoubtedly intensified the pressure for a government-led response to complement the work of the central banks. The defensive composition of the Trust, largely represented through index-linked paper, continues to seem entirely appropriate given these economic and political trends across the world.

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



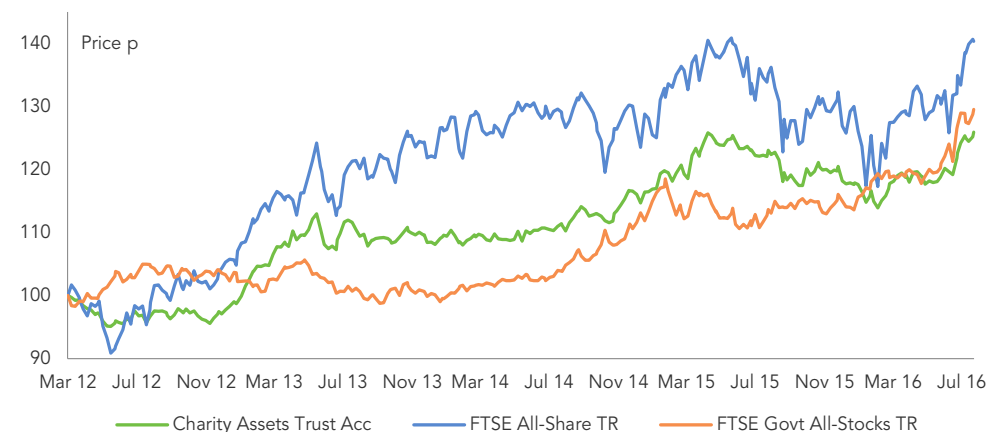
Investment objective

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



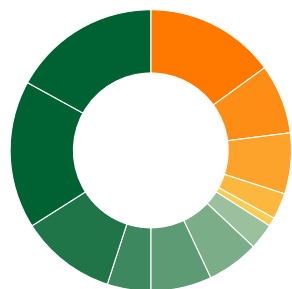
Performance %	July 2016	Year to date	1 year	3 years	5 years	10 years
Accumulation units	2.7	6.8	2.3	14.0	na	na
Percentage growth		%				
30 Jun 2015 – 30 Jun 2016		-0.3				
30 Jun 2014 – 30 Jun 2015		11.1				
30 Jun 2013 – 30 Jun 2014		1.7				
30 Jun 2012 – 30 Jun 2013		12.6				
30 Jun 2011 – 30 Jun 2012		na				

Source: Ruffer LLP

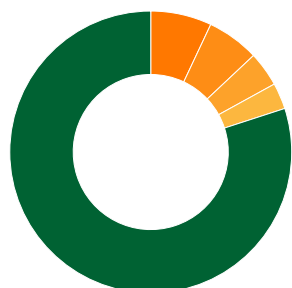
Ruffer performance is shown after deduction of all fees and management charges, and on the basis of income being reinvested. Past performance is not a guide to future performance. The value of the shares and the income from them can go down as well as up and you may not get back the full amount originally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

Charity Assets Trust as at 29 July 2016

Portfolio structure



Asset allocation	%		%
● Index-linked gilts	17	● Japan equities	15
● Non-UK index-linked	17	● North America equities	8
● Long dated index-linked	11	● UK equities	7
● Short-dated bonds	5	● Europe equities	3
● Gold and gold equities	7	● Asia ex-Japan equities	1
● Cash	6		
● Illiquid strategies	3		



Currency allocation	%
● Sterling	80
● Gold	7
● Yen	6
● US dollar	4
● Other	3

5 largest of 14 bond holdings

Stock	% of fund	Stock	% of fund
UK Treasury index-linked 0.5% 2050	6.9	Silver Wheaton	2.0
US TIPS 1.125% 2021	6.2	Newcrest Mining	2.0
UK Treasury index-linked 0.125% 2024	5.1	Dai-ichi Life Insurance	1.7
UK Treasury index-linked 0.125% 2019	4.9	Sony	1.6
UK Treasury index-linked 1.875% 2022	4.9	Oracle	1.6

Source: Ruffer LLP

5 largest of 47 equity holdings*

Stock	% of fund
Silver Wheaton	2.0
Newcrest Mining	2.0
Dai-ichi Life Insurance	1.7
Sony	1.6
Oracle	1.6

* Excludes holdings in pooled funds

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Fund size £69.9m

Fund information

Ongoing Charges Figure	1.15
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 July 2016, assets managed by the Ruffer Group exceeded £19.2bn, of which charities represented £2.0bn.

Dealing line

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