

Charity Assets Trust

Positive absolute returns with low volatility for charities



October 2016 Issue 56

During October, the fund price rose by 1.0%. This compared with a rise of 0.6% in the FTSE All-Share Index and a fall of 3.9% in the FTSE Government All-Stocks Index (both figures are total returns in sterling).

The Nikkei was one of the strongest equity markets in October and so the majority the Trust's positive returns came from the portfolio's Japanese stocks. The insurers and banks were the biggest movers with double digit returns. US and UK equities also made some gains and any currency held outside of sterling (~20%) once again provided a boost, given the further slide in the pound. The biggest detractor was gold and gold equities, as gold touched \$1,250 before recovering on news of Trump's polling reversal.

With reportedly over \$15 trillion of negative yielding developed economy sovereign bonds in issuance today, we remain concerned over the contortions that monetary policy continues to create across all asset classes. Negative interest rates across much of the world's 'safer' debt provides a huge incentive for investors to take on more risk in search of yield. Given the magnitude of the coordinated policy response from the world's central banks we believe some assets are becoming overcrowded. High yield bonds (or junk bonds in non-sales speak) have been a particular beneficiary of the rush to yield following the credit crisis. After a brief pause in their ascension following the oil price collapse last year, they are once again providing little compensation to the debt owner for the risk of company bankruptcy. They are an extremely popular source of much needed income for investors. This coincides with the US default rate rising to a six year high and a rather alarming calculation that 70% of the entire \$922bn US high yield market is held within mutual funds and separately managed accounts. Worst still, about a fifth of the entire market is allegedly owned by just five institutions. Policy makers will have to tread very carefully indeed to avoid a painful liquidation of this market (and others) should the US default cycle resume.

High yield bonds are one of several asset classes that we fear may be liable to mean reversion following years of 'emergency' monetary policy. Correspondingly a significant proportion of the portfolio is held in protective assets, predominantly index-linked bonds and gold. A smaller proportion (33%) is in growth seeking assets aiming to capture the ongoing benefits of loose monetary policy and 'business as usual' profit seeking by reputable companies.

With the uncertainty of the US election ahead and the very real chance of a US rate rise in December we feel comfortable with the Trust's cautious positioning. While equities remain low, at around a third of total assets, our exposure does include more economically sensitive sectors such as banks and oil services. However with evidence continuing to point to a patchy global recovery and risks to the downside, we would prefer to tread carefully and as ever, capital preservation is our primary objective.

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 %	October 2016	Year to date	1 year	3 years	5 years	10 years
Accumulation units	1.0	10.0	7.7	17.6	na	na
Percentage growth		%				
30 Sep 2015 – 30 Sep 2016		9.3				
30 Sep 2014 – 30 Sep 2015		3.9				
30 Sep 2013 – 30 Sep 2014		3.9				
30 Sep 2012 – 30 Sep 2013		11.8				
30 Sep 2011 – 30 Sep 2012		na				

Source: Ruffer LLP, FTSE International (FTSE)†

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.

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

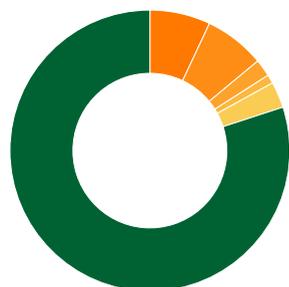
† See www.ftse.com for further information.

Charity Assets Trust as at 31 October 2016

Portfolio structure



Asset allocation	%		%
● Index-linked gilts	16	● Japan equities	14
● Non-UK index-linked	15	● UK equities	8
● Long-dated index-linked gilts	12	● North America equities	7
● Cash	14	● Europe equities	4
● Gold and gold equities	7	● Asia ex-Japan equities	1
● Illiquid strategies	2		



Currency allocation	%
● Sterling	80
● Yen	7
● Gold	7
● US dollar	2
● Euro	1
● Other	3

5 largest of 12 bond holdings

Stock	% of fund
UK Treasury index-linked 0.5% 2050	7.2
US TIPS 1.125% 2021	6.3
UK Treasury index-linked 0.125% 2024	4.9
UK Treasury index-linked 1.875% 2022	4.7
UK Treasury index-linked 0.125% 2019	4.7

Source: Ruffer LLP

5 largest of 50 equity holdings*

Stock	% of fund
Dai-ichi Life Insurance	1.9
Newcrest Mining	1.9
Sony	1.7
Nomura Real Estate	1.5
Wm Morrison	1.4

* Excludes holdings in pooled funds

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

The information contained in this document does not constitute investment advice and should not be used as the basis of any investment decision. References to specific securities are included for the purposes of illustration only and should not be construed as a recommendation to buy or sell these securities. Ruffer LLP and Ruffer AIFM Limited have not considered the suitability of this fund against any specific investor's needs and/or risk tolerance. If you are in any doubt, please speak to your financial adviser. The fund data displayed is designed only to provide summary information and the report does not explain the risks involved in investing in the fund. Any decision to invest must be based solely on the information contained in the Scheme, Scheme Particulars and the latest report and accounts.

Fund size £74.3m

Fund information

Ongoing Charges Figure	1.15
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 October 2016, assets managed by the Ruffer Group exceeded £20.4bn, of which charities represented £2.1bn.

Dealing line

0344 892 0906

Enquiries

Ruffer LLP +44 (0)20 7963 8254
80 Victoria Street cat@ruffer.co.uk
London SW1E 5JL www.ruffer.co.uk

† © FTSE 2016. 'FTSE®' is a trade mark of London Stock Exchange Group companies and is used by FTSE under licence. All rights in the FTSE Data vest in FTSE and/or its licensors. Neither FTSE nor its licensors accept any liability in relation to the FTSE Data data. No further distribution of FTSE Data is permitted without FTSE's express written consent.

Issued by Ruffer LLP, 80 Victoria Street, London SW1E 5JL. Ruffer LLP and Ruffer AIFM Limited are authorised and regulated by the Financial Conduct Authority. © Ruffer LLP 2016