

Charity Assets Trust

Positive absolute returns with low volatility for charities



During January, the fund price rose by 0.9%. This compared with a fall of 0.3% in the FTSE All-Share Index and a fall of 1.7% in the FTSE Govt All-Stocks Index (both figures are total returns in sterling).

As the world becomes accustomed to the barrage of tweets and directives from President Trump and the assertions of ‘America First’, it is notable that beneath the rhetoric there are encouraging signs that the US economy is already gathering reasonable, if unexceptional, momentum. While the growth rate for the fourth quarter failed to breach the 2% level, it is clear that conditions in the labour market are tightening. December’s data revealed US wage growth of 3% against an inflationary backdrop of 2%. Meanwhile, the equity market remains buoyed by hope of fiscal stimulus and corporation tax cuts, highlighted by the fact that the Dow Jones pushed through 20,000 for the first time, having notably first breached 10,000 back in 1999. The questions as to what Trump means for the dollar, and how the Federal Reserve might respond in terms of raising interest rates with the economy now seemingly firing on three cylinders, are clearly critical to the future direction of markets.

With much talk of the comparisons between Trump and Reagan in terms of the ‘free market/small government’ mantra, the reality is that this new political cycle begins at a very different place than that prevailing under the new Reagan administration. While for example in 1982 US interest rates were 15% and at 8% in real terms, the Trump era begins with real interest rates firmly in the negative and a debt/GDP ratio that has ballooned from one times to closer to four times. Referring back to the unemployment rate, Reagan began with an unemployment rate of 10% whereas it is half that now. Consequently, the easy fixes in terms of relaxing monetary policy and the absence of wage and inflationary pressures are essentially inverted as the Trump administration begins to pull the levers of power.

It is notable that the two main drivers of the fund’s performance were gold and Japanese equities. With the US economy continuing to throw off somewhat mixed signals as regards the pace of growth, the immediate path for a progressive interest rate pattern remains unclear. Some anticipation of rising inflationary pressures in the US was evident in the US index-linked market and we have taken this opportunity to secure some profits on the long-dated positions in the fund. While any upward move in the risk free rate would be a detractor as far as gold is concerned, rising inflationary pressures, not to mention a more unsettled geo-political situation continue to justify gold’s position in the fund. Meanwhile, the prevailing valuations in Japan remain compelling, and the fund’s equity position continues to include financial companies which over the past few months benefited from rising global bond yields, a dynamic which has pressured inflation-linked bond prices.

The overall currency positioning of the fund remains firmly focused on our investors’ base currency of sterling. In those periods where Ruffer has historically deployed foreign currency exposure, the objective has been to add protection to the portfolio rather than speculate on potential currency gains. We continue to see the balance of risk being favourable to the pound and with most major currency blocks not without their own political issues, the Brexit factor appears substantially discounted. Meanwhile the current growth momentum suggests that the UK is by no means at the back of the queue in terms of a potential rate increase.

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 %	January 2017	Year to date	1 year	3 years	5 years	10 years	
Accumulation units	0.9	0.9	12.7	21.1	na	na	
Percentage growth	%		Share price as at 31 January 2017				p
31 Dec 2015 – 31 Dec 2016	10.5		Accumulation		131.44		
31 Dec 2014 – 31 Dec 2015	1.2		Income		119.36		
31 Dec 2013 – 31 Dec 2014	6.5						
31 Dec 2012 – 31 Dec 2013	10.7						
31 Dec 2011 – 31 Dec 2012	na						

Source: Ruffer LLP, FTSE International (FTSE)

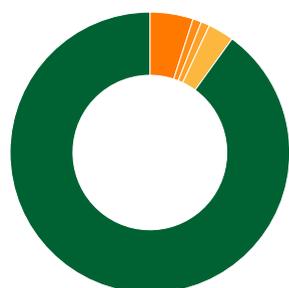
Ruffer performance is shown after deduction of all fees and management charges, and on the basis of income being reinvested. Past performance is not a guide to future performance. The value of the shares and the income from them can go down as well as up and you may not get back the full amount originally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

Charity Assets Trust as at 31 January 2017

Portfolio structure



Asset allocation	%		%
● Index-linked gilts	17	● Japan equities	15
● Non-UK index-linked	13	● UK equities	9
● Long-dated index-linked gilts	11	● North America equities	6
● Short-dated bonds	9	● Europe equities	3
● Cash	9	● Asia ex-Japan equities	1
● Gold and gold equities	5		
● Illiquid strategies	2		



Currency allocation	%
● Sterling	90
● Gold	5
● US dollar	1
● Yen	1
● Other	3

5 largest of 14 bond holdings

Stock	% of fund
UK Treasury index-linked 0% 2017	9.0
UK Treasury index-linked 0.5% 2050	6.5
US TIPS 1.125% 2021	5.8
UK Treasury index-linked 0.125% 2024	4.6
UK Treasury index-linked 0.125% 2019	4.4

Source: Ruffer LLP

5 largest of 53 equity holdings*

Stock	% of fund
Dai-ichi Life Insurance	2.2
Lloyds Banking	2.0
Newcrest Mining	1.6
Sony	1.4
Nomura Real Estate	1.4

* Excludes holdings in pooled funds

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Fund size £79.3m

Fund information

Ongoing Charges Figure	1.19
Annual management charge	1.0 + VAT
Maximum initial charge	1.0
Yield	1.3
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 2017, assets managed by the Ruffer Group exceeded £20.8bn, of which charities represented £2.1bn.

Dealing line

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