

Charity Assets Trust

Positive absolute returns with low volatility for charities

During June, the fund price fell by 1.2%. This compared with a fall of 2.5% in the FTSE All-Share Index and a fall of 2.0% in the FTSE Govt All-Stocks Index (both figures are total returns in sterling).

In an election campaign that saw Mrs May snatch defeat from the jaws of victory, the standing of the government has evidently diminished from 'strong and stable' to 'weak and vulnerable'. The mood was perhaps best summed up by former US Democratic Party presidential hopeful Bernie Sanders who cited a 'rising up against austerity'. As the debate over the potential shelf life of this minority government continues, history would suggest that the answer to the question may be, 'longer than many expect'. The Wilson/Callaghan government (with a similarly precarious balance of power) staggered on for five years. What is clear, however, is that the public clamour for a fiscal response continues to rise as do the inflationary undercurrents.

Meanwhile, ongoing issues within the European banking sector were evident in both Spain and Italy. Banco Popular was rescued by Banco Santander and a €17bn regional bank rescue in Italy saw the liability for the 'bad assets' picked up by the Italian state, seemingly at odds with the European banking directive that seeks to discourage such state intervention. This coincided with a warning from the Bank for International Settlements that, rather than being resolved, developments since the financial crisis 'may come to resemble more closely a financial boom gone wrong'.

One reminder of the ongoing exuberance within financial markets came in the shape of a \$16bn bond issue by Argentina with a maturity of 100 years and a yield of 7.9%. With the obvious shortage of income across asset classes, the issue was significantly oversubscribed as investors overlooked past misdemeanours which have seen the sovereign state default eight times in the last two hundred years, the latest as recent as 2014. It may be, however, that the Argentinian authorities have demonstrated impeccable timing.

While the US Federal Reserve has already commenced down a path of gently rising interest rates and a slow reversal of its quantitative easing programme, uncertainties over where the Bank of England and the European Central Bank (ECB) might be in the 'tightening' cycle have begun to concern investors. Seemingly contradictory signals from Mr Carney as to a potential interest rate hike, and some criticism as to a 'failure to launch' UK monetary policy given rising inflationary pressures, have added to the uncertainties. In addition, recent pronouncements from Mr Draghi put the markets on notice that the ECB is pondering its own tapering programme.

The main positive drivers of performance during June were Japanese equities led by financials and Sony. This was complemented by positive stock selection in the US with Oracle being a notable outperformer. The trust's index-linked bonds were not immune to the rise in yields and this together with weakness in gold and the UK equity positions impacted negatively on performance. Recent developments have highlighted, however, that the use of monetary policy as a tool has peaked and that the political debate has moved firmly into the camp of fiscal intervention. While the speed of this transition remains unclear, the trend is more certain, and thus index-linked bonds remain at the heart of our protective assets.

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 %	June 2017	Year to date	1 year	3 years	5 years	10 years
Accumulation units	-1.2	0.6	6.9	18.4	35.6	na
Percentage growth		%				
30 Jun 2016 – 30 Jun 2017		6.9				
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				

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 30 June 2017

Asset allocation



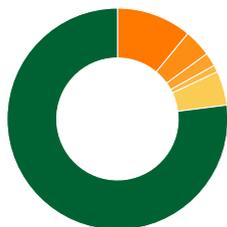
Asset allocation

	%
● Index-linked gilts	17
● Non-UK index-linked	11
● Long-dated index-linked gilts	10
● Cash	15
● Gold and gold equities	4
● Illiquid strategies	2
● Japan equities	16
● UK equities	11
● North America equities	8
● Europe equities	4
● Asia ex-Japan equities	2

Currency allocation

	%
● Sterling	77
● Yen	11
● Gold	4
● Euro	2
● US dollar	1
● Other	5

Currency allocation



10 largest of 63 equity holdings*

Stock	% of fund
Dai-ichi Life Insurance	2.0
Lloyds Banking Group	1.9
Sony	1.7
ORIX	1.4
Mizuho Financial	1.4
Kinross Gold	1.3
Mitsubishi UFJ Financial	1.1
Tesco	1.1
Oracle	1.1
T&D Holdings	1.1

5 largest of 13 bond holdings

Stock	% of fund
UK Treasury Bill 0% 2017	8.6
UK Treasury index-linked 0.5% 2050	6.2
US TIPS 1.125% 2021	5.3
UK Treasury index-linked 0.125% 2024	4.4
UK Treasury index-linked 0.125% 2019	4.2

*Excludes holdings in pooled funds
Source: Ruffer LLP

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Fund size £82.9m

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 30 June 2017, assets managed by the Ruffer Group exceeded £21.3bn, of which charities represented £2.0bn.

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