

# Charity Assets Trust

Positive absolute returns with low volatility for charities

During December the fund price rose by 0.9%. This compared with an appreciation of 4.8% in the FTSE All-Share Index and a modest increase of 1.4% in the FTSE Government All-Stocks Index (both figures are total returns in sterling).

Financial markets closed the year in familiar and ebullient form with the passing of President Trump's tax reform bill and the US Senate adding to an already buoyant sentiment. Meanwhile, positive trends in US consumer confidence and growing optimism over the economy and job prospects, seemingly bode well for US corporate earnings in 2018. This is particularly true if it is assumed that the 'Phillips curve' is now permanently broken, or that improving economic conditions will not at some point trigger an upward increase in wages, consequently placing further pressure on interest rates. In this new and assumed paradigm of improving economic activity, coupled with perpetually low interest rates, the trajectory for assets prices remains sharply north. As we have iterated for some time now, the gliding ascendancy of asset prices coupled with negligible volatility, form part of a self-fulfilling prophecy, whereby virtually all assets from equities to junk bonds and lesser known Da Vinci's, rise in tandem – until they don't. Meanwhile, rather than seeking to protect the downside, investors hungry for returns can readily sell protective positions to the minority, including ourselves, who remain of the view that the market cycle is just that.

It was notable that in November we saw the launch of a three year maturity euro-denominated bond with a yield of -0.026% by a European BBB rated corporate borrower. The fact that corporates, and indeed those not necessarily of the highest credit ratings can borrow for free, or indeed in this case, be paid for the privilege, certainly speaks to the curiosities, if not outright distortions prevailing within the financial system. By comparison, the equities of such companies might appear to be something of a steal, offering as they do, yields of 3% plus. Although as mentioned above, this is rather reliant on the assumption that this is the 'new normal' for bond yields and that the price of money will be permanently distorted – we fear not!

The main drivers of the fund's performance during the month were UK equities, long-dated index-linked gilts and Japanese equities. Within UK equities the main drivers were Tesco and UK banks, while Japanese equities were in turn led by financial companies. Overall, after a solid December, the fund posted a positive but relatively modest return for 2017. We maintain our preference for companies of a more cyclical and financial nature. These have largely been left behind as the market continues to favour equities perceived as providing a 'safe and stable' earnings stream in investors' search for income. Looking behind the headlines of stock markets reaching new highs, in fact a relatively small number of large high-growth technology companies have been leading the charge with much of the residual market looking subdued. Indeed, the value of the so-called 'FANGS' (Facebook, Amazon, Netflix and Google (now Alphabet, Inc)), now matches that of the entire German stock market. New paradigm or not, in as much as we can identify value opportunities within equity markets, the structure of financial markets overall and consequent risks leave us with equity exposure at a little over 40%. Ultimately, financial history has shown that exuberance is best countered with caution and our desire to maintain the fund's protective bias remains undeterred.

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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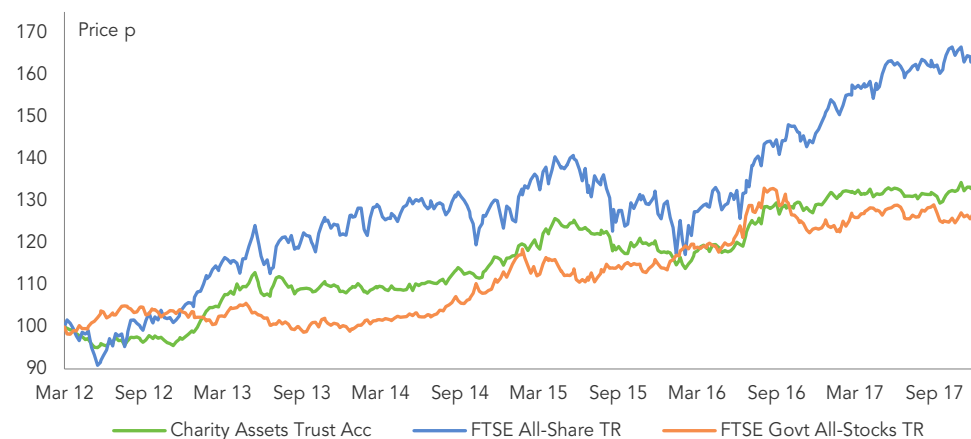
## Investment objective

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



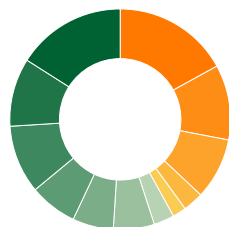
| Performance %             | December 2017 | Year to date | 1 year | 3 years | 5 years | 10 years |
|---------------------------|---------------|--------------|--------|---------|---------|----------|
| Accumulation units        | 0.9           | 3.0          | 3.0    | 15.2    | 35.9    | na       |
| Percentage growth         |               | %            |        |         |         |          |
| 31 Dec 2016 – 31 Dec 2017 |               | 3.0          |        |         |         |          |
| 31 Dec 2015 – 31 Dec 2016 |               | 10.5         |        |         |         |          |
| 31 Dec 2014 – 31 Dec 2015 |               | 1.2          |        |         |         |          |
| 31 Dec 2013 – 31 Dec 2014 |               | 6.5          |        |         |         |          |
| 31 Dec 2012 – 31 Dec 2013 |               | 10.7         |        |         |         |          |

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.

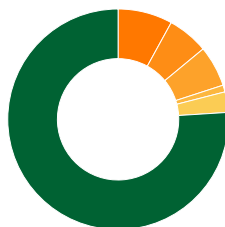
# Charity Assets Trust as at 29 December 2017

## Asset allocation



| Asset allocation              | %  |
|-------------------------------|----|
| Short-dated bonds             | 16 |
| Non-UK index-linked           | 10 |
| Long-dated index-linked gilts | 10 |
| Index-linked gilts            | 7  |
| Cash                          | 6  |
| Gold and gold equities        | 6  |
| Illiquid strategies           | 3  |
| Japan equities                | 17 |
| UK equities                   | 11 |
| North America equities        | 9  |
| Europe equities               | 3  |
| Asia ex-Japan equities        | 2  |
| Currency allocation           | %  |
| Sterling                      | 76 |
| Yen                           | 8  |
| US dollar                     | 6  |
| Gold                          | 6  |
| Euro                          | 1  |
| Other                         | 3  |

## Currency allocation



## 10 largest of 66 equity holdings\*

| Stock                     | % of fund |
|---------------------------|-----------|
| Mitsubishi UFJ Financial  | 2.2       |
| Dai-ichi Life Insurance   | 2.1       |
| Tesco                     | 2.0       |
| iShares Physical Gold     | 1.9       |
| Lloyds Banking Group      | 1.8       |
| Sony                      | 1.8       |
| Sumitomo Mitsui Financial | 1.5       |
| ORIX                      | 1.4       |
| Kinross Gold              | 1.3       |
| Mizuho Financial          | 1.2       |

## 5 largest of 13 bond holdings

| Stock                                | % of fund |
|--------------------------------------|-----------|
| UK Treasury Bill 0% 2018             | 7.0       |
| UK Treasury Bill 0% 2018             | 6.8       |
| UK Treasury index-linked 0.5% 2050   | 6.0       |
| US TIPS 1.125% 2021                  | 4.7       |
| UK Treasury index-linked 0.125% 2019 | 3.9       |

\*Excludes holdings in pooled funds  
Source: Ruffer LLP

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## Fund size £100.1m

## Fund information

|                          |   |
|--------------------------|---|
| Ongoing Charges Figure   | 1.19  |
| Annual management charge | 1.0 + VAT                                       |
| Maximum initial charge   | 1.0   |
| Yield                    | 1.2   |
| Minimum investment       | £500  |
| Ex dividend dates        | 15 January, 15 April,<br>15 July, 15 October    |
| Pay dates                | 15 March, 15 June,<br>15 September, 15 December |

|              |                                 |
|--------------|---------------------------------|
| Dealing      | Weekly forward, every Wednesday |
| Cut off      | Close of business on Wednesday  |
| Unit classes | Accumulation and income         |

|       | Accumulation | Income       |
|-------|--------------|--------------|
| ISIN  | GB00B740TC99 | 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 December 2017, assets managed by the Ruffer Group exceeded £22.8bn, of which charities represented over £2.2bn.

## Dealing line

0344 892 0906

## Enquiries

Ruffer LLP +44 (0)20 7963 8040  
80 Victoria Street cat@ruffer.co.uk  
London SW1E 5JL [www.ruffer.co.uk](http://www.ruffer.co.uk)

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