

Charity Assets Trust

Positive absolute returns with low volatility for charities

During January, the fund price fell by 0.3%. This compared with a depreciation of 1.9% in the FTSE All-Share Index and a decrease of 2.0% in the FTSE Government All-Stocks Index (both figures are total returns in sterling).

The optimism generated towards the tail end of 2017, by the passing of US tax reform and better economic growth globally, showed no sign of abating at the start of 2018. Indeed, it appeared this current bull market, one of the longest in history, had further to run. Much of the market commentary from the beginning of the year suggested this would be the case and, for the majority of January, financial markets did not disappoint.

One of the features of this particular run in equities, starting from the beginning of the fourth quarter of 2017, has been the accompanying rise in bond yields, particularly in the US. The US 10 year yield, for example, moved from 2.4% at the end of the year to 2.7% at the end of January, with longer-dated bond yields also moving in the same direction. Higher yields suggest better economic growth prospects, and as a result, this move would not be entirely unexpected considering the data. As we have mentioned previously however, rising bond yields are inherently unhelpful to index-linked bonds, but their protective qualities in an inflationary environment remain a crucial part of the fund's long-term protection. In order to navigate this transitional period, financial stocks (largely banks) which benefit from rising market yields are therefore held in juxtaposition. The index-linked bonds did suffer slightly and were the main drag on the fund for January, but it was pleasing to see the offsetting relationship once again at play, with stocks such as M&T Bank performing well alongside other financial equities within the fund. The small option position designed to protect against an increase in yields also helped to partially offset the fall in the index-linked bonds.

However, towards the end of the month, and moving into the first days of February, the move in bond yields became sharper and more extreme, in stark contrast to the low volatility environment that has typified financial markets since 2009. This disorderly move appeared to rattle not just bond, but equity markets as well, as they fell in unison towards the end of the month and into the beginning of February. Whilst this recent fall in equities and bonds has been small, relative to the extended bull market they have been in, we do believe this development, where bonds and equities fall together in value, could be instructive into how markets might respond if interest rates, and therefore yields, move up faster than the market is anticipating.

Dealing with this difficult balancing act is the new US Federal Reserve Chairman, Jerome Powell, a baton change from Janet Yellen that adds a further layer of uncertainty to markets. The US Federal Reserve, which is the central bank furthest along in the process of raising interest rates, appears ready to quicken the pace of rate hikes in the US as economic momentum improves. This could act as a catalyst to increase the pressure on bond prices and, in turn, equities. We have had a preview of how higher rates can hurt equities, and therefore our bias towards protection within the fund remains as we enter a new – but potentially challenging – year for financial assets.

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



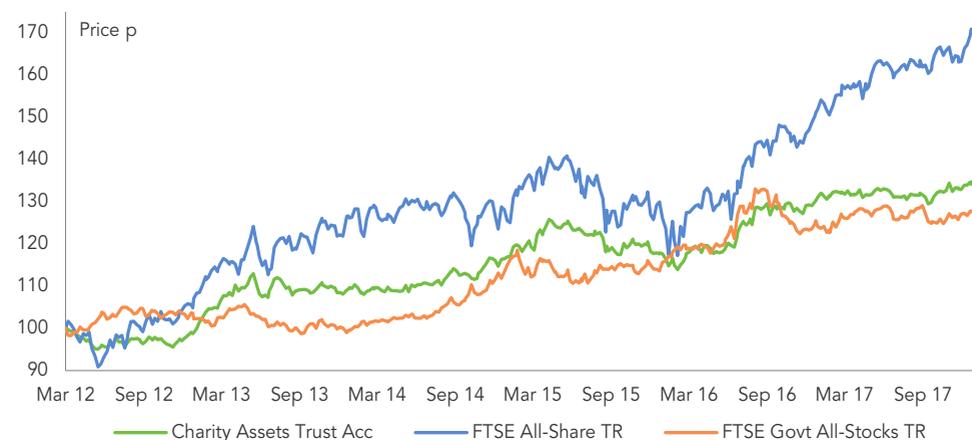
Investment objective

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 2018	Year to date	1 year	3 years	5 years	10 years
Accumulation units	-0.3	2.7	1.8	11.8	28.8	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.

Unit price as at 31 January 2018	p
Accumulation	133.83
Income	119.50

Charity Assets Trust as at 31 January 2018

Asset allocation



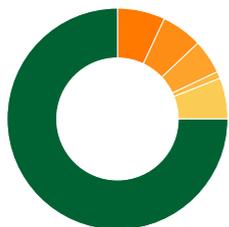
Asset allocation

	%
Short-dated bonds	16
Long-dated index-linked gilts	10
Non-UK index-linked	9
Index-linked gilts	7
Cash	7
Gold and gold equities	5
Illiquid strategies	4
Japan equities	17
UK equities	12
North America equities	7
Europe equities	4
Asia ex-Japan equities	2

Currency allocation

	%
Sterling	75
Yen	7
US dollar	6
Gold	5
Euro	1
Other	6

Currency allocation



10 largest of 64 equity holdings*

Stock	% of fund
Mitsubishi UFJ Financial	2.1
Tesco	2.0
Dai-ichi Life Insurance	2.0
iShares Physical Gold	1.9
Lloyds Banking Group	1.9
Sony	1.8
Sumitomo Mitsui Financial	1.5
ORIX	1.5
Kinross Gold	1.2
Statoil ASA	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	5.8
US TIPS 1.125% 2021	4.5
UK Treasury index-linked 0.125% 2019	3.9

*Excludes holdings in pooled funds
Source: Ruffer LLP

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Fund size £99.7m

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, 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

	Accumulation	Income
ISIN	GB00B740TC99	GB00B7F77M57
SEDOL	B740TC9	B7F77M5

Manager and investment adviser Ruffer AIFM Limited

Trustee BNY Mellon Fund & Depositary (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 2018, assets managed by the Ruffer Group exceeded £22.7bn, of which charities represented over £2.2bn.

Dealing line

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