

Charity Assets Trust

Positive absolute returns with low volatility for charities

During February the fund price fell by 2.4%. This compared with a fall of 8.9% in the FTSE All-Share Index and a 1.3% rise in the FTSE Government All-Stocks Index (both figures are total return in sterling).

The month was dominated by the ongoing coronavirus outbreak, with markets struggling to price the impact of this exogenous shock on what had been an improving global growth outlook. For the first half of the month, signs that the infection rate was slowing in mainland China prompted confidence that the authority's decisive action was containing the virus. Markets predicted that the disruption to Chinese economic activity in the first quarter would be mitigated by strong Chinese stimulus for the rest of the year, and that central banks would keep global monetary policy loose and supportive for longer. The net effect was markets becoming more sanguine, with developed equity markets recovering from their January falls.

The evolution of the disease into a truly global problem later in the month jolted markets out of this complacency. The strong response by authorities, which included quarantining whole towns and banning large public gatherings, demonstrated that the economic impact of the virus may be greater than previously thought, on both the supply and demand side. Equity markets saw their fastest correction (a fall of more than 10%) since 2008 over the last week of the month. Investors flocked to safer assets, pushing the yield on US 10 year treasuries down to 1.04%, its lowest ever level.

The fall in yields helped the fund's index linked gilts to offset some of the losses in equities. Gold, however, was comparatively weak. The surprising underperformance of this safe haven asset (which fell even more sharply than equities on the last day of the month) points to selling pressure as investors exposed to turbulent markets were forced to find liquidity wherever possible to meet their commitments – 'sell what you can, not what you want'. The potential for such liquidity issues to limit the effectiveness of conventional protections has been a concern of ours for some time, and the key reason we hold unconventional protection in the portfolio. These protective positions, which we added to early in the month, started to perform as volatility rose and credit spreads began to widen. So far, we remain in the foothills of the potential distress in credit markets and the protections are poised to deliver strong returns should things get worse from here.

Central bank support has driven a decade long bull market, arguably leaving assets priced for perfection and vulnerable to black swan events. The very last trading session of the month saw US equities rally slightly as concerted central bank action looked likely. The key question for markets is whether the depleted monetary arsenal available to central banks is enough to stave off the economic impact of what looks likely to become a global pandemic. If the virus does lead to a recession, we think credit markets look vulnerable and could expose fragilities that spread to equity markets. The performance of our unconventional protections over the month increased our confidence that they are in the right place to preserve capital should the pullback seen so far deteriorate into a full-scale bear market. If, on the other hand, authorities successfully navigate this headwind the fund's equities should perform well in a market rebound.

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



February 2020 Issue 96

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.

Responsible Investment Policy

The fund has strict restrictions on investment in alcohol, armaments, gambling, pornography, tobacco, oil sands and thermal coal. It also follows a proactive voting and engagement approach with companies held within the fund. The fund is monitored against UN Global Compact principles, MSCI's ESG Metrics and the managers also monitor the fund's carbon metrics.

Performance since launch on 8 March 2012



Performance %	February 2020	Year to date	1 year	3 years	5 years
Accumulation units	-2.4	-4.7	1.8	-1.9	7.3

Percentage growth	%	Unit price as at 28 February 2020	p
31 Dec 2018 – 31 Dec 2019	7.3	Accumulation	129.39
31 Dec 2017 – 31 Dec 2018	-5.6	Income	111.18
31 Dec 2016 – 31 Dec 2017	3.0		
31 Dec 2015 – 31 Dec 2016	10.5		
31 Dec 2014 – 31 Dec 2015	1.2		

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 28 Feb 2020

Asset allocation



Asset allocation %

Non-UK index-linked	18.8
Long-dated index-linked gilts	11.3
Illiquid strategies and options	10.5
Short-dated bonds	8.4
Gold and gold equities	8.4
Index-linked gilts	1.8
Cash	0.0

Currency allocation



Currency allocation %

Sterling	76.7
Yen	9.7
Gold	7.7
US dollar	1.0
Euro	1.0
Other	3.9

10 largest equity holdings*

Stock	% of fund
iShares Physical Gold	2.3
Newmont Mining	2.3
Lloyds Banking Group	2.1
Royal Bank of Scotland	2.0
Kinross Gold	1.9
Tesco	1.9
Sony	1.8
Whitbread	1.7
Walt Disney Company	1.7
Countryside Properties	1.5

5 largest of bond holdings

Stock	% of fund
US Treasury 1.125% TIPS 2021	5.8
UK government 8.0% 2021	5.1
UK Treasury index-linked 0.5% 2050	4.1
US Treasury TIPS 1.25% 2020	4.0
UK Treasury index-linked 0.125% 2068	3.8

*Excludes holdings in pooled funds
Source: Ruffer LLP.
Pie chart totals may not equal 100 due to rounding.

Fund size **£130.8m**

Fund information

	%
Ongoing Charges Figure	1.15
Annual management charge	1.0 + VAT
Maximum initial charge	1.0
Yield	2.02
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 where this is a business day
Plus the last business day of the month

Cut off Close of business on Wednesday

Unit classes Accumulation and income

ISIN	Accumulation	Income
GB00B740TC99		GB00B7F77M57
SEDOL	B740TC9	B7F77M5

Manager and investment adviser Ruffer AIFM Limited

Trustee BNY Mellon Fund & Depository (UK) Ltd

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 Managers

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.



Jenny Renton

INVESTMENT DIRECTOR
Joined Ruffer in 2013. After reading politics at Newcastle University, she worked with oil and gas companies on their corporate and financial strategies before joining the fund team at Ingenious Investments. She is a CFA charterholder.



Ruffer LLP

Ruffer LLP manages investments on a discretionary basis for private clients, trusts, charities and pension funds. As at 31 January 2020, assets managed by the Ruffer Group exceeded £19.5bn.

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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 Prospectus, Key Investor Information Document and the latest report and accounts.