Fund name	Charity Assets Trust ('CAT' or 'the Fund')
Investment objective	The Fund will follow an 'absolute return' investment strategy. This means that the Manager will not endeavour to track or 'outperform' a specific benchmark or stock market index, but instead seek to generate consistent positive returns regardless of the prevailing market conditions. The Manager expresses its absolute return approach through two principal investment objectives for the Fund (i) preservation of capital, which the Manager defines as not losing money on a rolling 12 month basis and (ii) delivering consistent positive returns (through a combination of capital and income) greater than the return on cash (as defined by the Bank of England Bank Rate).
Legal structure	Common Investment Fund established under section 96 of The Charities Act 2011
Redemption cycle	Weekly
Liquidity buffer/ redemption policy	The manager of the fund has the right to: (i) Make in specie redemptions if the manager considers the redemption request substantial in relation to the size of the fund. A request representing 5% or more in value of the Fund will normally be considered substantial, although the Manager may in its discretion agree an in specie redemption with a Participating Charity whose Units represent less than 5% in value of the Fund. (ii) Charge a dilution levy on the subscription or redemption of units. (iii) Suspend dealing at any time.
Fund regulator	The fund is unregulated but overseen by the Charities Commission as a charity.
Fund type	Common Investment Fund and Alternative Investment Fund
Investment manager and risk manager (AIFM)	Ruffer AIFM Limited ('RAIFM' or 'we')
Investor base	Charities that are permitted to invest in a charitable Common Investment Fund. 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 2011 (as amended).
Derivative use	Efficient portfolio management

General market risk

A key factor in executing the 'absolute return' investment objective is to reduce market risk to ensure that the fund is not overly dependent on the direction of specific markets and/or asset classes. We reduce market risk specifically through the construction of the asset allocation.

The asset allocation is carefully selected to create a balance of offsetting investments of 'growth' (typically, though not limited to, equity investments) and 'protective' assets (typically, though not limited to, bonds, currency positions and derivatives). Ideally, the offsetting positions should perform as follows

- In an equity market downturn, the 'protective' assets should perform well, offsetting the capital value of the 'growth assets' which would be experiencing losses.
- In favourable market conditions, the reverse ought to be true; the 'growth' assets should deliver positive returns offsetting losses in the 'protective' assets.

Currency risk

Currency hedges are monitored and managed by the fund manager of the fund to ensure that the hedges are adjusted as necessary to prevent exposure to undesired changes in exchange rates.

Use of leverage

The fund may invest in financial derivative instruments with the intention of decreasing the risks of the portfolio. Derivatives are not used to increase or gain additional exposure. The fund currently does not borrow or reinvest collateral. The fund is limited to investing in instruments where the maximum loss is limited to the initial commitment paid.

Under AIFMD, the fund is required to calculate leverage using two methods

- Gross method which measures the fund's overall exposure
- Commitment method which allows for netting and hedging

A maximum expected level of leverage has been established and approved by the RAIFM Board under each of these methods. These limits are as follows

- 2.5 times under the gross method
- 1.5 times under the commitment method

RAIFM is required to report actual leverage levels under both the gross and commitment method to the FCA on a quarterly basis.

Asset liquidity risk

Asset liquidity risk is primarily managed by identifying illiquid assets within the portfolios managed by RAIFM and Ruffer LLP (its parent company) as well as holdings with substantial ownership by the clients and funds in relation to whom such portfolios are managed. We perform analysis based on the nature, scale and complexity of the investments.

Back-testing is also performed on large client withdrawals to assess our ability to liquidate assets. Back-testing also provides an indication as to the time needed to sell illiquid positions.

Fund liquidity risk

The fund's liquidity risk is managed on an ongoing basis by monitoring the following

- The liquidity of the underlying investments (see Asset Liquidity Risk section), including specifically, the proportion of the fund's holdings in cash and illiquid assets
- The behaviours of its investors by analysing historical subscriptions and redemptions
- The fund's compliance with any liquidity or redemption restrictions

We perform a periodic review of the fund, taking into consideration any changes to investment strategy, liquidity profile of its assets and redemption policy.

Credit risk

As a portion of the fund's investment portfolio is in cash, we are responsible for selecting which bank (or banks) to deposit this cash. Initial and ongoing due diligence is performed on each bank prior to depositing cash.

Settlement risk

We manage settlement risk in the following ways

- Broker approval and review process – We have established an application and approval process before we commence a relationship with a new broker which includes our assessment of their creditworthiness. All active brokers are reviewed as necessary and when we become aware of information which may imply a broker is or has become less creditworthy. Trades can only be transacted with active approved brokers. If a proposed trade is with a broker not on this list, the application and approval process must be followed prior to trading.
- For 'delivery vs. payment' trades – We set limits based on the creditworthiness of active brokers to monitor settlement risk on these trades between the trade date and settlement date.
- For 'free of delivery' trades – Because of the increased level of risk associated with the settlement of 'free of delivery' trades, we carefully review and approve each trade individually before trading.

Operational risk

We manage these risks in the following ways

- Three lines of defence – We have adopted a 'three lines of defence' model to instil the principles of risk management in each of our business units. Accountability at the business level, in this case research and portfolio management, is our 'first line of defence'. The business functions are monitored by the control functions (ie Risk & Control and Compliance) which form our 'second line of defence'. Independent review and oversight is provided by Internal and External Audit and comprises our 'third line of defence'.
- Control environment – Our control environment is created by implementing sufficient control procedures within our organisational framework. Our control environment reflects the principles of openness, integrity and segregation of duties.

- Human resources – We are a service business and, as such, our key assets are our members and employees and the intellectual capital they bring to our business. Ensuring that our staff are of appropriate character and skill is a key tenet of creating an effective control environment. This is managed through the recruitment process, ongoing checks on staff integrity and our annual appraisal programme. We also have a comprehensive training and competence programme which is designed to meet FCA and other regulatory requirements.
- Annual risk assessment – A risk register is kept to identify specific risks to which our business is exposed, their potential impact on our business and the mitigating controls in place. An annual risk assessment is performed which drives an annual program of internal audits, and resulting process and control recommendations.
- Error process – When errors do occur or weaknesses in the control environment are identified they are recorded on the Error Log and escalated to relevant parties as necessary. The Error Log includes a root cause analysis and a recommendation on the control or action required to prevent re-occurrence. The status of recommendations is tracked, reported to the relevant governing body as necessary.
- Information technology and systems – Our day-to-day IT support is outsourced to a specialist firm responsible for maintaining a stable IT infrastructure and implementation and testing of our disaster recovery plans. We use various external packages to support its business processes. We have a dedicated team to manage the relationship with these service providers including initial research and testing and then ongoing maintenance and testing of the products and services. In order to reduce the occurrence of human error, processes which are manual in nature and subject to human error are automated where possible and advantageous to our business. We have an in house IT development team responsible for managing enhancements and delivering specific applications where required.
- Business continuity planning – We have in place a Business Continuity Plan (‘BCP’) which details the arrangements in place in the event that our business is affected by disaster recovery situation which makes our physical or virtual workspace inoperable. The BCP includes information such as an offsite workplace recovery location and disaster recovery testing procedures. We have a dedicated team whose responsibility it is to review, oversee and monitor our BCP.

Mandate risk

The fund managers of the fund are responsible for managing the fund’s portfolio of investments in line with its investment objective and restrictions as stipulated by its Scheme Particulars. Restrictions are managed and monitored by the fund managers and reviewed by Compliance as necessary.

Asset valuation risk

We have established policies and procedures for obtaining and utilising the most appropriate and accurate asset prices on a timely basis, for use in valuations, performance measurement calculations and for the calculation of management fees. The policies also contain details a hierarchy for pricing sources, aiming to use independent external prices for assets. When such a price is not available for an asset, the policies and procedures dictate how an independent price (independent from the Portfolio Management function) may be derived.

Fund valuation risk

In addition to the risk management process around asset valuation risk, we perform risk management over the valuation of the share prices of our funds. The fund's external administrator carries out the calculation of the NAV. In order to ensure the fund is priced correctly, we perform our own review to compare the fund administrator's calculation of the NAV to our own books and records. Differences above set thresholds are investigated and resolved with the fund's administrator.

Regulatory risk

We manage regulatory risk in the following ways

- The fund manager is responsible for ensuring that the fund's portfolio is invested in line with all relevant laws and regulations.
- In addition, investment restrictions are programmed into our investment systems to prevent any breach from occurring. Compliance is responsible for maintaining the investment restrictions and for monitoring adherence to these restrictions as necessary.
- As the identification and accurate interpretation of applicable laws, regulation and good practice standards is pivotal to our ability to meet regulatory requirements, our investment and compliance professionals are committed to undergoing ongoing industry training and development.
- Our Compliance function has a compliance monitoring program performing a variety of checks on a sample basis reviewing our adherence to the relevant laws and regulations and to ensure that any changes to regulatory policy are implemented as required.

Delegation risk

Before delegating any task to an external party, we assess the benefit as well as the potential impact to the fund. Once the decision has been taken to delegate a task to a third party, we perform initial due diligence to assess their ability to perform the activity, reputation and stability. We then enter into agreements detailing the delegated activity and expectations of both parties.

Once the relationship is entered into, we perform ongoing due diligence to ensure that a strong relationship and open communication between parties is maintained. Throughout the relationship, we perform varying levels of oversight to mitigate the risk of error and to ensure the third party's duties are being performed in line with the agreement in place. Third party delegation agreements are reviewed and updated as necessary to facilitate an efficient and effective relationship.