

# Charity Assets Trust

Positive absolute returns with low volatility for charities

During December the fund price fell by 1.6%. This compared with a fall of 1.3% in the FTSE All-Share Index and a fall of 1.0% in the FTSE Government All-Stocks Index (both figures total returns in sterling).

2015 proved to be a challenging year for financial markets and the fund. The market bounce witnessed in October proved short-lived with sentiment deteriorating as we approached the year-end. This translated into a modestly positive fund return for the fourth quarter which was insufficient to offset the decline seen in the summer and recapture the returns showing at the end of June. As a result, the returns for the calendar year have been positive but subdued.

For much of the year three issues have seemingly dominated market movements; the potential timing of the first US interest rate increase in nine years, the fragility of the Chinese economy and the collapse of commodity prices. The issue of the timing of the US rate hike was finally resolved mid-December with a 0.25% increase. As an exercise in the management of market expectations the event must be judged a success with markets, initially at least, taking the move in their stride. In any event, the removal of this 'uncertainty' did allow investors to refocus on the other prevailing concerns in terms of the deflationary implications of collapsing commodity prices and the ever-rising tensions in the Middle East.

As well-managed as the Federal Reserve's interest rate move may or may not have been, the reality that the extremes of 'emergency interest rates' have passed does make many of the excesses seen in global bond markets increasingly difficult to ignore. It was perhaps a coincidence that the announcement of the Fed's move came within days of a US mutual fund, focused on low-grade credit, suspending dealing due to illiquidity issues, (with sellers of the fund's units meeting a dearth of buyers of its low-grade bond holdings). With the fund in question being relatively small (sub US\$1bn), this did not spark any immediate concerns as to wider contagion across the corporate fixed interest markets, but it is perhaps a good indication of potential tensions to come after an elongated credit cycle post 2008.

We steadily reduced risk within the fund throughout 2015 cutting equity exposure and boosting the protective strategies, and December saw a further reduction in equity exposure to close the year at 34%. With economic growth in western economies remaining relatively anaemic, and vulnerable to a further retrenchment in Chinese and emerging market growth rates, top line growth for many western companies is likely to remain modest at best. Meanwhile, equity valuations in western markets, having been spurred on during the past few years by contracting bond yields, seem to offer relatively modest upside with potentially significant downside risk. Our focus for 2016 will continue to seek shelter for the fund rather than to chase returns and for the time being at least, some 'dry powder' in the form of cash will be part of the asset allocation.

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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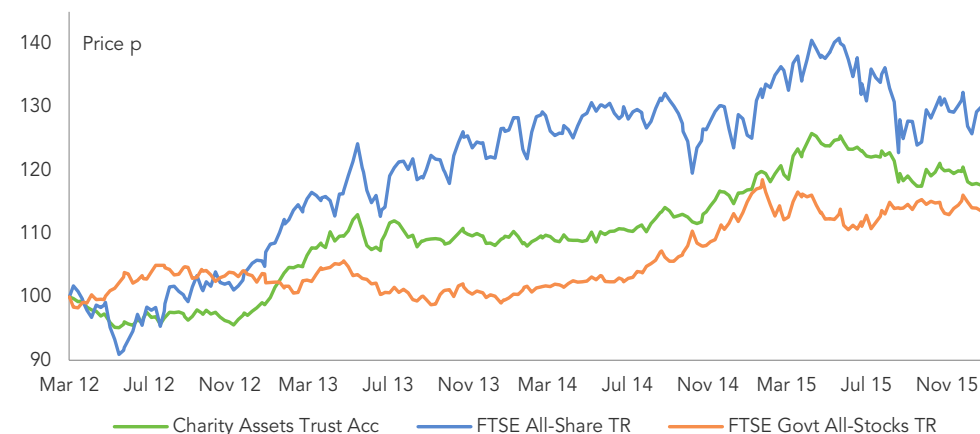
## Investment objective

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 2015	Year to date	1 year	3 years	5 years	10 years
Accumulation units	-1.6	1.2	1.2	19.4	na	na
Percentage growth		%				
31 Dec 2014 – 31 Dec 2015		1.2				
31 Dec 2013 – 31 Dec 2014		6.5				
31 Dec 2012 – 31 Dec 2013		10.7				
31 Dec 2011 – 31 Dec 2012		na				
31 Dec 2010 – 31 Dec 2011		na				

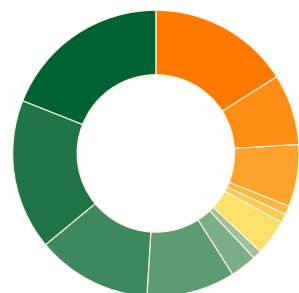
Share price as at 31 December 2015		p
Accumulation		117.89
Income		109.51

Source: Ruffer LLP

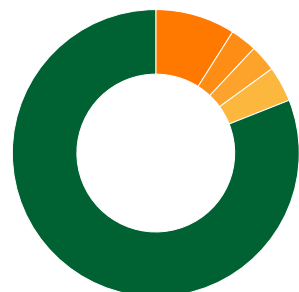
Ruffer performance is shown after deduction of all fees and management charges, and on the basis of income being reinvested. Past performance is not a guide to future performance. The value of the shares and the income from them can go down as well as up and you may not get back the full amount originally invested. The value of overseas investments will be influenced by the rate of exchange.

# Charity Assets Trust as at 31 December 2015

## Portfolio structure



Asset allocation	%		%
● Non-UK index-linked	17	● Japan equities	16
● Index-linked gilts	13	● UK equities	8
● Long dated index-linked gilts	10	● North America equities	7
● Cash	19	● Europe equities	1
● Gold and gold equities	3	● Asia ex Japan equities	1
● Floating-rate notes	1	● Illiquid strategies	4



Currency allocation	%
● Sterling	81
● Yen	9
● US dollar	3
● Gold	3
● Other	4

## 5 largest of 13 bond holdings

Stock	% of fund
UK Treasury index-linked 0.5% 2050	6.1
US TIPS 1.125% 2021	5.9
UK Treasury index-linked 0.125% 2024	5.1
UK Treasury index-linked 1.875% 2022	5.1
US TIPS 2.125% 2019	3.2

Source: Ruffer LLP

## 5 largest of 56 equity holdings\*

Stock	% of fund
ETFs Physical Gold	2.3
Dai-ichi Life Insurance	2.2
Sumitomo Mitsui Financial	1.7
Mitsubishi UFJ Financial	1.6
Exxon Mobil	1.4

\* Excludes holdings in pooled funds

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## Fund size £63.4m

## Fund information

		%
Ongoing Charges Figure		1.14
Annual management charge		1.0 + VAT
Maximum initial charge		1.0
Yield		1.4
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 31 December 2015, assets managed by the Ruffer Group exceeded £18.3bn, of which charities represented £2.1bn.

## Dealing line

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