

# Charity Assets Trust

Positive absolute returns with low volatility for charities

During September, the fund price fell by 0.3%. This compared with a rise of 1.7% in the FTSE All-Share Index and a rise of 2.7% in the FTSE Govt All-Stocks Index (both figures total returns in sterling).

The extraordinary world of negative yielding bonds appeared to step deeper into uncharted waters this month with two European companies issuing paper with a guaranteed yield of -0.05%. This follows the pattern set by the German government in July, whereby it became the second sovereign government after Japan to guarantee a loss on newly-issued paper held to maturity. Meanwhile, with some Danish individuals reportedly being paid, rather than charged, interest on their mortgages, the extremities of monetary policy are all too evident. It was notable, however, that after the extended bond market bonanza during the summer months, a slight note of caution was seen in September with yields on 30 year government bonds in developed economies rising from their historic lows. This translated into a marginally negative contribution from the portfolio's index-linked gilts for September, but after the incredibly strong returns during the summer months perhaps a small consolidation was inevitable.

Brexit uncertainty continued to weigh on sterling, which on a trade-weighted basis lost close to 2% over the month. Given the already significant retrenchment in the pound, increasing overseas currency risk at this point appears untimely, particularly considering the ongoing issues with the US dollar and the euro. Indeed, in the hands of the Republican candidate, US Presidential powers could seemingly torpedo existing trade deals in a manner that could leave the UK's evocation of Article 50 looking like the spark rather than the fire. In addition, with the European banking sector latterly overshadowed by Deutsche Bank's US Department of Justice fine of US\$14bn for mis-selling mortgage backed securities, the case for not taking too much non-base currency risk remains compelling. We continue, nevertheless, to seek currency diversification with a 20% weighting outside the fund's base currency.

Recent UK economic data paints a relatively robust post-referendum outcome, although with looser monetary conditions in place and the market poised for a fiscal spending announcement from Chancellor Hammond in the autumn, the potential for some near-term inflationary pressures cannot be ignored. As a result, a meaningful part of the fund remains exposed to short-dated index-linked gilts.

Positive equity contributions came from Japanese property companies and the energy complex. With a change of tone emanating from Saudi Arabia as to production quotas within OPEC, there is a growing sense that the oil price has established a new support level. Having allowed production to flood the market with supply since late 2014, in an attempt to squeeze out higher cost US shale producers, a change of strategy now appears to be emerging. With the equity market having been keener to reward higher dividends and the return of capital to shareholders than long-term investment, a case can be made that the supply side characteristics within the oil sector are looking increasingly positive on a medium-term view.

Finally, it is notable that the strongest equity contributor to the fund came from the UK food retailing sector, which like the oil sector has until very recently sat in the 'unloved' camp. The restructuring programme at Wm Morrison appears to be well on schedule and the company has now seen three consecutive quarter of positive sales' increases. While the sector backdrop undoubtedly remains tough, the ongoing restructuring opportunities remain significant and perhaps underpin the old adage: 'there is no such thing as a mature industry, just mature managers'.

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



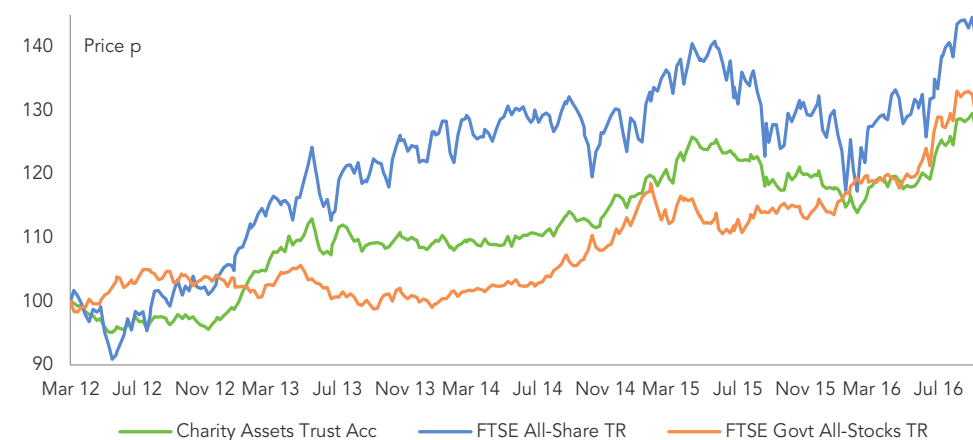
## Investment objective

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 %             | September 2016 | Year to date | 1 year | 3 years | 5 years | 10 years |
|---------------------------|----------------|--------------|--------|---------|---------|----------|
| Accumulation units        | -0.3           | 8.8          | 9.3    | 18.0    | na      | na       |
| Percentage growth         |                | %            |        |         |         |          |
| 30 Sep 2015 – 30 Sep 2016 |                | 9.3          |        |         |         |          |
| 30 Sep 2014 – 30 Sep 2015 |                | 3.9          |        |         |         |          |
| 30 Sep 2013 – 30 Sep 2014 |                | 3.9          |        |         |         |          |
| 30 Sep 2012 – 30 Sep 2013 |                | 11.8         |        |         |         |          |
| 30 Sep 2011 – 30 Sep 2012 |                | na           |        |         |         |          |

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.

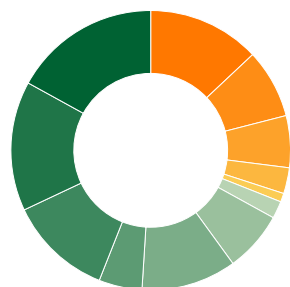
Share price as at 30 September 2016 p

Accumulation 128.32

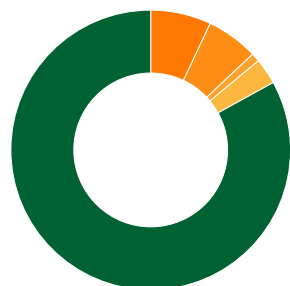
Income 117.57

# Charity Assets Trust as at 30 September 2016

## Portfolio structure



| Asset allocation                 | %  |                          | %  |
|----------------------------------|----|--------------------------|----|
| ● Index-linked gilts             | 17 | ● Japan equities         | 13 |
| ● Non-UK index-linked            | 15 | ● UK equities            | 8  |
| ● Long-dated index-linked gilts  | 12 | ● North America equities | 6  |
| ● Short-dated bonds              | 5  | ● Europe equities        | 3  |
| ● Cash                           | 11 | ● Asia ex-Japan equities | 1  |
| ● Gold and gold equities         | 7  |                          |    |
| ● Protective illiquid strategies | 2  |                          |    |



| Currency allocation | %  |
|---------------------|----|
| ● Sterling          | 83 |
| ● Gold              | 7  |
| ● Yen               | 6  |
| ● Euro              | 1  |
| ● Other             | 3  |

## 5 largest of 13 bond holdings

| Stock                                | % of fund |
|--------------------------------------|-----------|
| UK Treasury index-linked 0.5% 2050   | 7.4       |
| US TIPS 1.125% 2021                  | 6.1       |
| UK Treasury index-linked 0.125% 2024 | 5.0       |
| UK Treasury index-linked 0% 2016     | 4.8       |
| UK Treasury index-linked 1.875% 2022 | 4.8       |

Source: Ruffer LLP

## 5 largest of 48 equity holdings\*

| Stock                   | % of fund |
|-------------------------|-----------|
| Newcrest Mining         | 1.8       |
| Dai-ichi Life Insurance | 1.7       |
| Sony                    | 1.6       |
| Nomura Real Estate      | 1.5       |
| Microsoft               | 1.4       |

\* Excludes holdings in pooled funds

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Fund size £73.1m

## Fund information

|                                |   |
|--------------------------------|---|
| Ongoing Charges Figure         | 1.15  |
| Annual management charge       | 1.0 + VAT   |
| Maximum initial charge         | 1.0   |
| Yield                          | 1.3   |
| 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 30 September 2016, assets managed by the Ruffer Group exceeded £20.1bn, of which charities represented £2.1bn.

## Dealing line

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## Enquiries

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