

Charity Assets Trust

Positive absolute returns with low volatility for charities

During November the fund price fell by 1.9%. This compares with a fall of 1.6% in the FTSE All-Share Index and a decline of 1.3% in the FTSE All-Stocks Index (both figures total returns in sterling).

This month's commentary focuses not so much on Donald Trump's unexpected victory in the US presidential election, but rather on the stress test for our portfolio that the subsequent market moves have posed. In what seems to us very much a dress rehearsal for a future inflation-driven move in asset prices, we have seen a significant repricing (ie sell-off) across global bonds. Yields have spiked higher on the prospect of fiscal stimulus under President-elect Trump, with the benchmark US 10 year bond yield leaping from 1.8% pre-election to 2.4%. Not surprisingly this has triggered a sharp reversal of the prevailing mood within equity markets, where supposedly safe 'bond-like' equities have sold off sharply, with investors rotating into more cyclical/value stocks and financials.

Despite registering a loss for the month, we feel the portfolio has passed this 'stress test' if not with flying colours, then at least satisfactorily. At Ruffer we aim to build an 'all weather' portfolio that not only protects investors from the painful consequences of events we can see coming down the road, but is also sufficiently robust to withstand shorter term movements that could blow us off course. Our long term compass is firmly set to inflation and negative real interest rates, and therefore we cherish the long-dated index-linked bonds in the portfolio. However, having performed so well for us already this year, we have been acutely aware that a sharp rise in bond yields could reverse the strong performance of the portfolio.

Trump's election victory has duly delivered just such a shock to investors, even if we see it as simply another step on the path towards inflation. As bond yields spiked higher, and with investors unable as yet to truly distinguish between real and nominal interest rates, our index-linked bonds have fallen back sharply. We have weathered this setback thanks to the offsets built up in the rest of the portfolio. Interest rate options are part of this armoury, and have performed well, but it is Japanese financials that have really shone as offsets to falling bond prices. During the month Japanese banks and life insurers made double digit gains, with one of our largest holdings, MUFJ, up over 20%.

Having long purged the portfolio of 'bond-like' equities we were largely immune to the sell-off in this once fashionable area, whilst building up a host of positions in cyclical equities has been rewarded with gains from stocks such as Tenaris, Emerson and WestRock. The result has been that despite the longest dated index-linked bond in the portfolio falling by 17% from its October high, with shorter durations following suit, the fund price has been relatively steady, thereby preserving much of the gains for the overall portfolio so far this year.

Looking forward, we see Trump's election as marking the end of omnipotent central banks and the pre-eminence of monetary policy. Politics will now take central stage with Trump et al usurping Yellen & Co as the star billing. Fiscal expansion seems to us more likely to herald inflation rather than a surge in real growth. However, such tectonic shifts occur slowly, so we repeat our suggestion that November's market moves are merely a dress rehearsal for a far greater shift in asset prices in the future.

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



November 2016 Issue 57

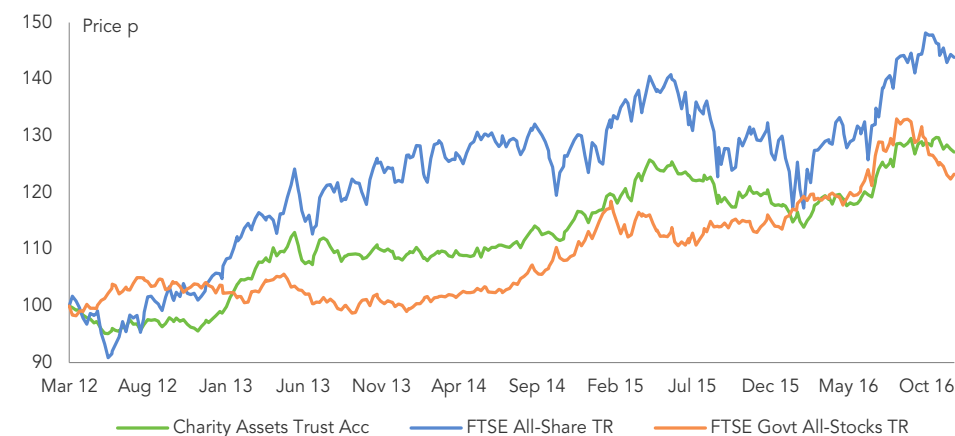
Investment objective

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



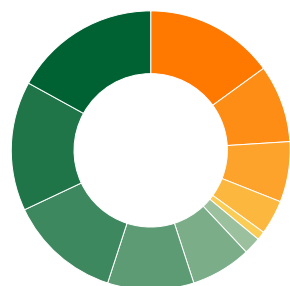
Performance %	November 2016	Year to date	1 year	3 years	5 years	10 years
Accumulation units	-1.9	7.9	6.2	16.0	na	na
Percentage growth		%				
30 Sep 2015 – 30 Sep 2016		9.3				
30 Sep 2014 – 30 Sep 2015		3.9				
30 Sep 2013 – 30 Sep 2014		3.9				
30 Sep 2012 – 30 Sep 2013		11.8				
30 Sep 2011 – 30 Sep 2012		na				

Source: Ruffer LLP, FTSE International (FTSE)

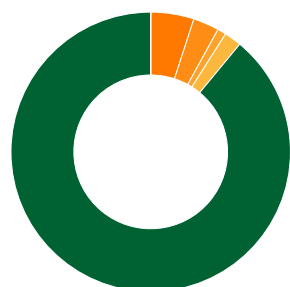
Ruffer performance is shown after deduction of all fees and management charges, and on the basis of income being reinvested. Past performance is not a guide to future performance. The value of the shares and the income from them can go down as well as up and you may not get back the full amount originally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

Charity Assets Trust as at 30 November 2016

Portfolio structure



Asset allocation	%		%
● Index-linked gilts	17	● Japan equities	15
● Non-UK index-linked	15	● UK equities	9
● Long-dated index-linked gilts	13	● North America equities	7
● Cash	10	● Europe equities	4
● Gold and gold equities	7	● Asia ex-Japan equities	1
● Illiquid strategies	2		



Currency allocation	%
● Sterling	89
● Gold	5
● Yen	3
● Euro	1
● Other	2

5 largest of 14 bond holdings

Stock	% of fund
UK Treasury index-linked 0.5% 2050	6.8
US TIPS 1.125% 2021	6.2
UK Treasury index-linked 0% 2017	5.0
UK Treasury index-linked 0.125% 2024	4.9
UK Treasury index-linked 0.125% 2019	4.8

Source: Ruffer LLP

5 largest of 54 equity holdings*

Stock	% of fund
Dai-ichi Life Insurance	2.1
Newcrest Mining	1.5
Sony	1.5
Nomura Real Estate	1.5
Lloyds Banking	1.4

* Excludes holdings in pooled funds

The views expressed in this report are not intended as an offer or solicitation for the purchase or sale of any investment or financial instrument. The views reflect the views of Ruffer LLP at the date of this document and, whilst the opinions stated are honestly held, they are not guarantees and should not be relied upon and may be subject to change without notice.

The information contained in this document does not constitute investment advice and should not be used as the basis of any investment decision. References to specific securities are included for the purposes of illustration only and should not be construed as a recommendation to buy or sell these securities. Ruffer LLP and Ruffer AIFM Limited have not considered the suitability of this fund against any specific investor's needs and/or risk tolerance. If you are in any doubt, please speak to your financial adviser. 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 Scheme, Scheme Particulars and the latest report and accounts.

Fund size £73.4m

Fund information

Ongoing Charges Figure	1.15
Annual management charge	1.0 + VAT
Maximum initial charge	1.0
Yield	1.5
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 November 2016, assets managed by the Ruffer Group were £20.3bn, of which charities represented £2.1bn.

Dealing line

0344 892 0906

Enquiries

Ruffer LLP +44 (0)20 7963 8254
80 Victoria Street cat@ruffer.co.uk
London SW1E 5JL www.ruffer.co.uk

† © FTSE 2016. 'FTSE®' is a trade mark of London Stock Exchange Group companies and is used by FTSE under licence. All rights in the FTSE Data vest in FTSE and/or its licensors. Neither FTSE nor its licensors accept any liability in relation to the FTSE Data data. No further distribution of FTSE Data is permitted without FTSE's express written consent.

Issued by Ruffer LLP, 80 Victoria Street, London SW1E 5JL. Ruffer LLP and Ruffer AIFM Limited are authorised and regulated by the Financial Conduct Authority. © Ruffer LLP 2016