

# Charity Assets Trust

Positive absolute returns with low volatility for charities

During December, the fund price rose by 2.4%. This compared with a rise of 5.0% in the FTSE All-Share Index and a rise of 1.8% in the FTSE Govt All-Stocks Index (figures are total returns in sterling).

Global stock markets enjoyed a positive final month of the year amidst growing optimism that the impact of a Trump presidency might ultimately turn out to be a net economic positive. Indeed, investors seemingly continued to shrug off political uncertainty, with markets readily absorbing the negative response to the Italian referendum and ongoing concerns over the Italian banking sector. News that the European Central Bank would begin stemming its quantitative easing programme from €80bn to €60bn from April 2017 also failed to dent sentiment.

For December, the main positive drivers of returns were Japanese equities and index-linked gilts. The month saw most global stock markets rise including Japan, which benefited from the additional fillip of a weaker currency. The Trust's index-linked gilts, like their conventional cousins, performed well in December, reversing some of the sharp losses in October and November. Looking back over the fourth quarter of 2016, rising bond yields have driven a recovery in financial companies' share prices, anticipating improved margin opportunities via higher longer-term interest rates and improved 'spreads'. There has also been some evidence of sector rotation away from 'bond-like' equities, where investors had been attracted largely by yield as an alternative to bonds. The Trust has approximately 2% in UK banks and 6% in Japanese financials, both of which continued to rise in December.

The debate as to whether these recent moves mark the start of the 'great rotation' out of bonds and income proxy stocks, or a 'little rotation' before the complete turning of the tide remains to be seen. The speed of the enactment of President-elect Trump's fiscal stimulus is an unknown, as is the likely counter move in the form of interest rates increases by the Federal Reserve should inflationary pressures increase. Ultimately, our view remains that any counter to near term inflationary impulses will be met with at most a modest increase in interest rates. The tolerance of upward inflationary pressures and the maintenance of negative real interest rates is, in our view likely to be the prevailing mind set amidst the world's increasingly politicised central bankers.

The events of 2016 from Brexit to Trump and Italy point to a growing political imperative for increasingly aggressive pro-inflationary policies. As inflationary pressures continue to build, the vulnerabilities of financial markets as witnessed by the 'little rotation' in the fourth quarter could rapidly become more pronounced. Meanwhile, they remain buoyed by the potential for an upturn in economic trends in the US that may continue to create opportunities within equities.

As we enter 2017, the broad structural composition of the Trust remains, with a little over a third in growth seeking assets and two thirds in protection. Bond yields are off their 2016 lows, which in the extreme moments of the summer saw substantial parts of the global markets offering negative returns, but yields remain derisory. As such, the structure of financial markets across all asset classes remains vulnerable to an upward move in yields. The challenge, as ever, remains pinpointing the timing of this turn. Hence, our focus on protective assets referenced above, while the third of the portfolio allocated to equities retains a substantial exposure to Japan alongside cyclical and financial equities elsewhere.

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



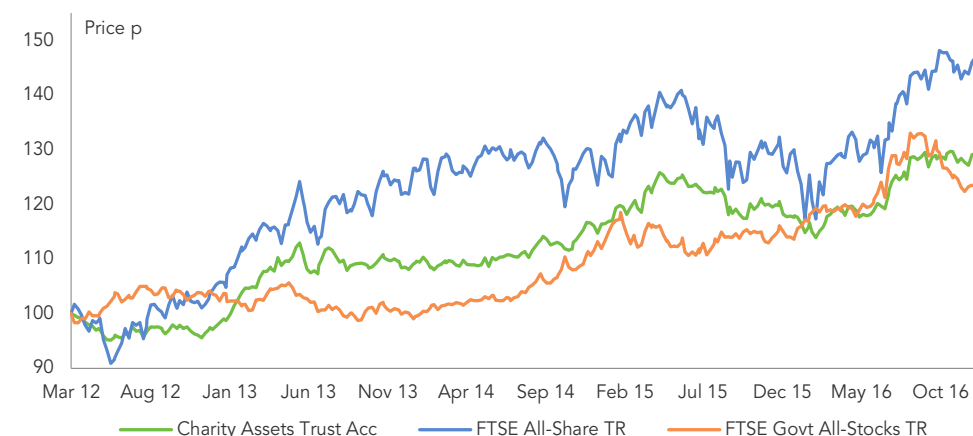
## Investment objective

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



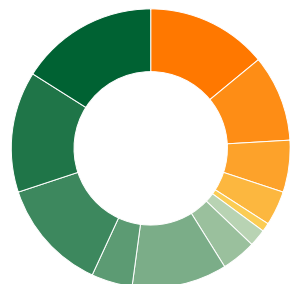
Performance %	December 2016	Year to date	1 year	3 years	5 years	10 years
Accumulation units	2.4	10.5	10.5	19.2	na	na
Percentage growth		%				
31 Dec 2015 – 31 Dec 2016		10.5				<b>130.25</b>
31 Dec 2014 – 31 Dec 2015		1.2				<b>118.72</b>
31 Dec 2013 – 31 Dec 2014		6.5				
31 Dec 2012 – 31 Dec 2013		10.7				
31 Dec 2011 – 31 Dec 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 December 2016

## Portfolio structure



Asset allocation	%		%
● Index-linked gilts	16	● Japan equities	14
● Non-UK index-linked	14	● UK equities	10
● Long-dated index-linked gilts	13	● North America equities	6
● Short-dated bonds	5	● Europe equities	4
● Cash	11	● Asia ex-Japan equities	1
● Gold and gold equities	4		
● Illiquid strategies	2		



Currency allocation	%
● Sterling	86
● Gold	4
● Yen	4
● US dollar	2
● Euro	1
● Other	3

## 5 largest of 14 bond holdings

Stock	% of fund
UK Treasury index-linked 0.5% 2050	6.6
US TIPS 1.125% 2021	5.9
UK Treasury index-linked 0% 2017	4.7
UK Treasury index-linked 0.125% 2024	4.7
UK Treasury index-linked 1.875% 2022	4.5

Source: Ruffer LLP

## 5 largest of 53 equity holdings\*

Stock	% of fund
Dai-ichi Life Insurance	2.1
Lloyds Banking	1.9
Newcrest Mining	1.5
Nomura Real Estate	1.5
Sony	1.4

\* Excludes holdings in pooled funds

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Fund size £77.9m

## Fund information

Ongoing Charges Figure	1.15
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 2016, assets managed by the Ruffer Group exceeded £20.6bn, of which charities represented £2.1bn.

## Dealing line

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## Enquiries

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