

# Charity Assets Trust

Positive absolute returns with low volatility for charities

During July, the fund price fell by 0.3%. This compared with an appreciation of 1.2% in the FTSE All-Share Index and a modest increase of 0.3% in the FTSE Government All-Stocks Index (both figures are total returns in sterling).

It has become increasingly clear that, while economies may not be growing at the rates desired by politicians and electorates, they continue, in general, to heal. The US economy, although having experienced its now seemingly customary first quarter softness, continues to chug along, eurozone indicators are at a six-year high, and while the Chinese economy might have long-term structural issues, it presently continues to defy talk of an abrupt cyclical slowdown.

This has given many central bankers across the developed world an opportunity to start removing, or at least start talking about removing, some of the loose monetary policy that has dominated markets for the previous seven years. Some, such as the Federal Reserve and the Bank of Canada, are further along in this process than others, like the Bank of England and European Central Bank, but what they all have in common is the direction in which they are heading.

While the economic data suggests that growth is robust enough to start raising rates, it is unclear whether the equity market will withstand the move. As a result of quantitative easing (QE), an estimated \$12 trillion has been added to the balance sheets of central banks across the world. This has been hugely positive for equity markets and equity holders alike, as the tide of liquidity unleashed by QE has resulted in almost all stocks moving higher in unison. A signal that authorities are moving towards tighter monetary policy indicates a significant shift in market dynamics, and one that perhaps few investors are truly prepared for. As Jamie Dimon, CEO of JPMorgan puts it, "a tightening world is a very different world you have to operate in, that's a big change in the tide. The tide is going out".

In such an environment, where liquidity is not so abundant and borrowing costs start to rise, we find it likely that 'bond-like' equities, which have been very strong lately, will lose their allure. Companies such as Restoration Hardware, a high-end furnishing company listed in the US, will find it harder to double its share price in three months by simply halving the amount of shares outstanding through share buybacks. Therefore, we maintain the focus of the fund's equity weighting in economically sensitive stocks, which we increased this month with the purchase of Mitsubishi Heavy Industries and Toyota.

We also continue to believe that, while growth has picked up across the world, the ever rising populist wave will demand that governments assume a greater role in supporting the economy, through increased fiscal spending. It remains our view that this will continue until the point where inflation starts to rise, and it is an open question as to what impact this will have on the bond market; will they tolerate higher rates, and what impact might this have on equity valuations? This shift in regime will be an unhelpful environment for most asset classes, but we hope that the portfolio's inflation-linked bonds and gold exposure will allow us to preserve capital through what will be an extremely difficult period for asset holders and savers alike.

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 %	July 2017	Year to date	1 year	3 years	5 years	10 years	
Accumulation units	-0.4	0.2	3.6	17.4	35.0	na	
Percentage growth	%		Share price as at 31 July 2017				p
30 Jun 2016 – 30 Jun 2017	6.9		Accumulation				130.48
30 Jun 2015 – 30 Jun 2016	-0.3		Income				117.19
30 Jun 2014 – 30 Jun 2015	11.1						
30 Jun 2013 – 30 Jun 2014	1.7						
30 Jun 2012 – 30 Jun 2013	12.6						

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 31 July 2017

## Asset allocation



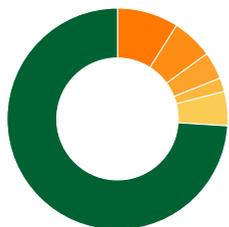
## Asset allocation

	%
Index-linked gilts	17
Non-UK index-linked	10
Long-dated index-linked gilts	10
Cash	15
Gold and gold equities	4
Illiquid strategies	2
Japan equities	17
UK equities	11
North America equities	8
Europe equities	4
Asia ex-Japan equities	2

## Currency allocation

	%
Sterling	74
Yen	9
US dollar	6
Gold	4
Euro	2
Other	5

## Currency allocation



## 10 largest of 64 equity holdings\*

Stock	% of fund
Dai-ichi Life Insurance	1.9
Lloyds Banking Group	1.9
Sony	1.8
ORIX	1.4
Kinross Gold	1.3
Mizuho Financial	1.3
Tesco	1.1
Statoil ASA	1.1
Oracle	1.1
Toyota	1.0

## 5 largest of 12 bond holdings

Stock	% of fund
UK Treasury index-linked 0.5% 2050	6.0
US TIPS 1.125% 2021	5.2
UK Treasury index-linked 0.125% 2024	4.4
UK Treasury index-linked 0.125% 2019	4.2
UK Treasury index-linked 1.875% 2022	4.2

\*Excludes holdings in pooled funds  
Source: Ruffer LLP

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Fund size £83.5m

## Fund information

	%
Ongoing Charges Figure	1.19
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	Income
	GB00B740TC99	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 July 2017, assets managed by the Ruffer Group exceeded £21.3bn, of which charities represented £2.0bn.

## Dealing line

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## Enquiries

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