

Charity Assets Trust

Positive absolute returns with low volatility for charities



September 2017 Issue 67

During September, the fund price fell by 1.2%. This compared with an depreciation of 0.4% in the FTSE All-Share Index and a decrease of 2.6% in the FTSE Government All-Stocks Index (both figures are total returns in sterling).

Global equities closed the month in ebullient form, led by the US amidst renewed optimism over President Trump's proposal to Congress for a reduction in the headline corporation tax rate from 35% to 20%. News from the Federal Reserve that it will begin reducing its US\$4.5 trillion bond portfolio in October also heralded a new post-crisis phase for monetary policy and, with it, a sense that while the US economy might not yet be back to rude health, it is entering the next phase of healing. With 'tapering' of the balance sheet also now on the agenda at the European Central Bank, and the UK leaning towards tightening of policy, albeit with the timing of an upward adjustment of interest rates still tentative, it might be suggested that we are at the early stages of policy 'normalisation'. The latest quarterly missive from the Bank for International Settlements (BIS), often referred to as 'the central bankers' bank', is, however, a salutatory reminder of the underlying structural issues within the global economy and the tensions faced by the authorities as they attempt to wean the economy and indeed investors off 'emergency' level interest rates.

As the BIS observes, lending standards have continued to deteriorate with the quality of covenants against issued debt reaching its lowest levels since records began in 2011 as investors increasingly accept lower levels of security to generate income. This rather underpins the point long made by Jonathan Ruffer that the problem is not so much the level of debt in the global economy but the deficit in collateral. Meanwhile, as investors commit to lower quality bonds, with ever decreasing yields and diminishing asset backing, low bond yields continue to supply upside support for the equity market. As noted above, while we are witnessing some momentum in the US economy, it is difficult to overlook the valuation of the S&P index which on a cyclically adjusted basis (CAPE) already sits at a level only surpassed in 1929 and 1999.

Given this backdrop, the fund has remained positioned with a bias towards protection. We continue to seek growth/equity opportunities that provide a counter point to an extended interest rate cycle rather than merely investing in sectors of the market that have already proved highly correlated on the upside to declining interest rates. Japanese financial stocks proved helpful in this respect during the month going some way to offset the upward move in bond yields that impacted the fund's index-linked positions. Exposure to other economically sensitive stocks including oil and cement production also contributed positively to performance. We have, at the margin continued to increase exposure to UK food retailing which currently remains in the realms of the 'out of favour' as opposed to 'bond proxy' categories.

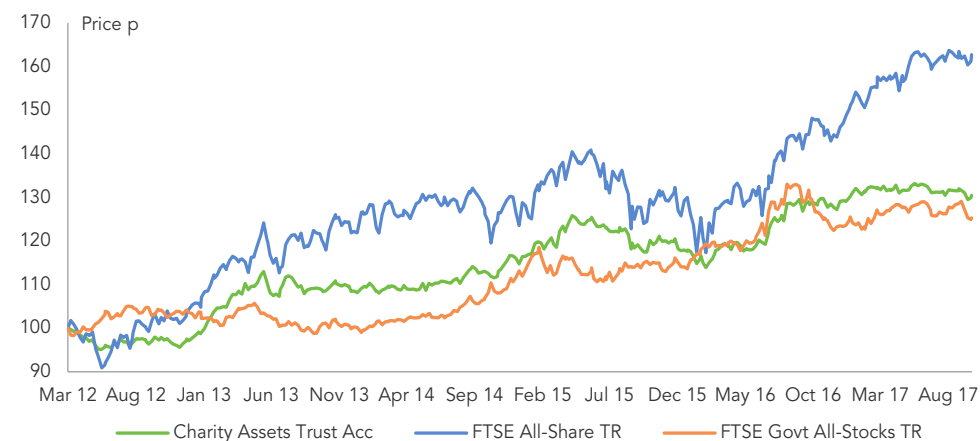
Investment objective

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



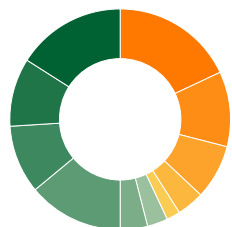
Performance %	September 2017	Year to date	1 year	3 years	5 years	10 years
Accumulation units	-1.2	0.2	1.7	15.4	34.1	na
Percentage growth	%		Unit price as at 29 September 2017 p			
30 Sep 2016 – 30 Sep 2017	1.7		Accumulation		130.46	
30 Sep 2015 – 30 Sep 2016	9.3		Income		117.19	
30 Sep 2014 – 30 Sep 2015	4.0					
30 Sep 2013 – 30 Sep 2014	3.9					
30 Sep 2012 – 30 Sep 2013	11.8					

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.

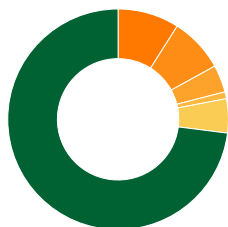
Charity Assets Trust as at 29 September 2017

Asset allocation



Asset allocation	%
Japan equities	18
UK equities	11
North America equities	8
Europe equities	4
Asia ex-Japan equities	2
Illiquid strategies	3
Index-linked gilts	16
Non-UK index-linked	10
Long-dated index-linked gilts	10
Cash	14
Gold and gold equities	4
Currency allocation	%
Sterling	73
Yen	9
US dollar	8
Gold	4
Euro	1
Other	5

Currency allocation



10 largest of 66 equity holdings*

Stock	% of fund
Mitsubishi UFJ Financial	2.0
Lloyds Banking Group	1.9
Dai-ichi Life Insurance	1.9
Tesco	1.5
Sony	1.5
ORIX	1.4
Sumitomo Mitsui Financial	1.4
Kinross Gold	1.3
Mizuho Financial	1.2
Statoil ASA	1.1

5 largest of 13 bond holdings

Stock	% of fund
UK Treasury Bill 0% 2017	7.3
UK Treasury index-linked 0.5% 2050	5.9
US TIPS 1.125% 2021	5.0
UK Treasury index-linked 0.125% 2024	4.3
UK Treasury index-linked 0.125% 2019	4.1

*Excludes holdings in pooled funds
Source: Ruffer LLP

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Fund size **£95.9m**

Fund information

	%
Ongoing Charges Figure	1.19
Annual management charge	1.0 + VAT
Maximum initial charge	1.0
Yield	1.2
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 30 September 2017, assets managed by the Ruffer Group exceeded £21.7bn, of which charities represented £2.0bn.

Dealing line

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Enquiries

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