

Charity Assets Trust

Positive absolute returns with low volatility for charities

During August, the fund price rose by 2.2%. This compared with a rise of 1.9% in the FTSE All-Share Index and a rise of 2.7% in the FTSE Government All-Stocks Index (both figures are total returns in sterling).

We wrote in last month's report that Brexit had provided central banks the excuse they needed to adopt increasingly more dovish tones. Thursday 4 August marked the occasion when the Bank of England's (BOE) soothing rhetoric was turned into action as they announced not just the first rate cut since 2009 but also a return of quantitative easing (QE), with £70bn of bond purchases to be completed over the next six months. The unexpected addition of QE caught the market off guard, as did the fact that the BOE was unable to complete one of its first bond buying operations due to a lack of willing sellers of long-dated government paper. The result has been a further fall in UK government bond yields. The 30 year yield was 1.62% before the BOE's announcement and finished the month at 1.27%. For reference, on the day of the EU vote, this figure stood at 2.19%. The compression in nominal bond yields drove our holdings in UK index-linked bonds sharply higher over the month, with the longest-dated rising just under 20%, aided also by a slight move higher in inflation expectations. In total, the Trust's UK index-linked stocks contributed 2% to the monthly performance figure.

For government bonds to return 20% during a single month is unusual, if not extraordinary, but these are extraordinary times. During Alan Greenspan's tenure as Chair of the Federal Reserve, the concept of the 'central bank put' was born whereby investors were comforted into taking risk in the knowledge that the central bank would offer their support by cutting interest rates when markets fell. The Bank of England has carried this tradition forward and potentially extended it with what could be described as a 'pre-emptive put' as the full fallout of the decision to leave the EU will not be known for some time.

The fall in the currency makes the UK's exports cheaper but also raises import prices, which will inevitably act as an inflationary impulse. It is here that the BOE's actions can be called dangerous. By easing so aggressively, they have bet that the hit to demand due to the fallout of the vote will outweigh the inflationary pressures resulting from the pound's fall. It is also possible that the new UK Chancellor may loosen the fiscal purse strings in his autumn statement. In this environment we feel that there is significant inflationary risk and as such we continue to view the Trust's UK index-linked bond holdings as essential protection.

While some may feel that the Bank of England have acted prematurely in the response post-Brexit, few would argue this in the case of the ¥28.1 trillion fiscal stimulus package announced on 2 August by the Japanese Prime Minister Abe. While the number was eye-catching the package contains only ¥7.5 trillion of new spending. In addition we are still awaiting full details as to how the programme will be implemented, although labour reforms and infrastructure spending are known to be on the agenda. It is clear, however, that Japan is leading the developed world into a new round of fiscal spending and Japanese stocks have responded positively during the month, making the second biggest contribution to the Trust's performance.

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



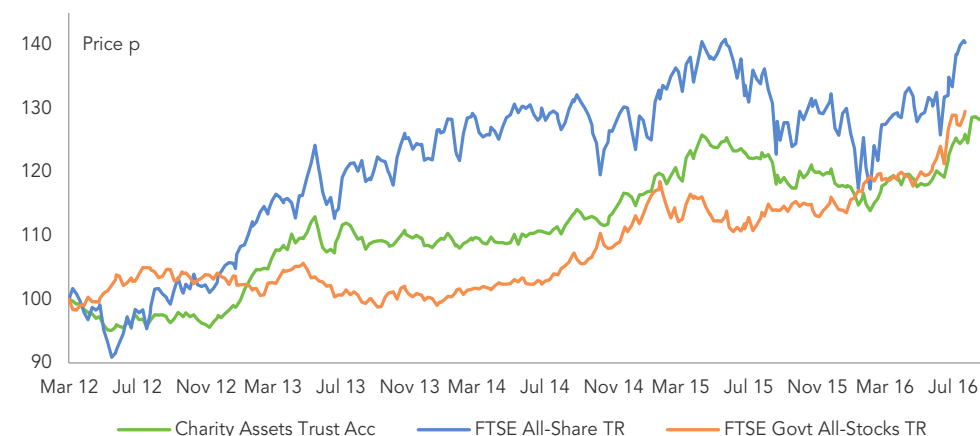
Investment objective

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



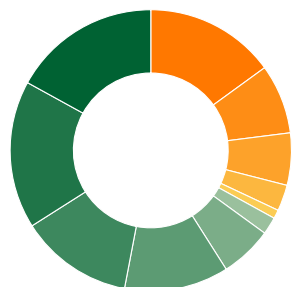
Performance %	August 2016	Year to date	1 year	3 years	5 years	10 years
Accumulation units	2.2	9.2	7.7	18.3	na	na
Percentage growth		%				
			Share price as at 31 August 2016			
			p			
30 Jun 2015 – 30 Jun 2016		-0.3	Accumulation		128.68	
30 Jun 2014 – 30 Jun 2015		11.1	Income		117.90	
30 Jun 2013 – 30 Jun 2014		1.7				
30 Jun 2012 – 30 Jun 2013		12.6				
30 Jun 2011 – 30 Jun 2012		na				

Source: Ruffer LLP, FTSE International (FTSE)

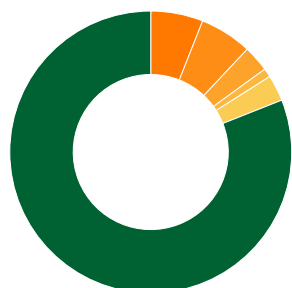
Ruffer performance is shown after deduction of all fees and management charges, and on the basis of income being reinvested. Past performance is not a guide to future performance. The value of the shares and the income from them can go down as well as up and you may not get back the full amount originally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

Charity Assets Trust as at 31 August 2016

Portfolio structure



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



Currency allocation	%
● Sterling	81
● Yen	6
● Gold	6
● US dollar	3
● Euro	1
● Other	3

5 largest of 13 bond holdings

Stock	% of fund	Stock	% of fund
UK Treasury index-linked 0.5% 2050	7.5	Silver Wheaton	1.8
US TIPS 1.125% 2021	6.0	Dai-ichi Life Insurance	1.8
UK Treasury index-linked 0.125% 2024	5.1	Newcrest Mining	1.7
UK Treasury index-linked 1.875% 2022	4.9	Sony	1.6
UK Treasury index-linked 0.125% 2019	4.8	Sumitomo Mitsui Financial	1.5

Source: Ruffer LLP

5 largest of 49 equity holdings*

Stock	% of fund
Silver Wheaton	1.8
Dai-ichi Life Insurance	1.8
Newcrest Mining	1.7
Sony	1.6
Sumitomo Mitsui Financial	1.5

* Excludes holdings in pooled funds

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Fund size £72.6m

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 31 August 2016, assets managed by the Ruffer Group exceeded £20.0bn, of which charities represented £2.1bn.

Dealing line

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