

# Charity Assets Trust

Positive absolute returns with low volatility for charities



During October, the fund price rose by 1.6%. This compared with an appreciation of 1.9% in the FTSE All-Share Index and an increase of 0.3% in the FTSE Government All-Stocks Index (both figures are total returns in sterling).

Above average equity market valuations, rising interest rates and growing political instability do not create an environment that is conducive for significant long term positive returns, yet this is what we see in much of the developed world today. In the US, a new Federal Reserve Chairman, Jerome Powell, has been announced at a time when the Fed will begin to reduce its balance sheet (ie the opposite of quantitative easing) and is set to continue raising rates. Remarkably this has not dented the relentless march of US equities, which have enjoyed a run of all-time highs. With capital preservation at the core of our investment approach, such an environment makes us reluctant to allocate large amounts of the fund's capital to these overvalued areas, a strategy we view as equivalent to picking up pennies in front of an oncoming steamroller.

How fortunate it is then that we have the opportunity to invest in Japan, where the sun is truly rising – and shining. Prime Minister Abe secured a decisive victory in the Lower House elections on 22 October, creating further political stability as he looks set to become the longest serving prime minister in Japanese history. The Bank of Japan, led by Abe's ally, Governor Kuroda, remains committed to its expansionary monetary policy, in stark contrast to other central banks across the developed world. Finally, the Japanese equity market continues to remain undervalued when compared to its peers in the US and Europe. This combination of factors helped the Nikkei to rise 16 consecutive days in a row in October, a new record. This performance should soon catch the attention of asset allocators closer to home, who continue to fight shy of this market despite such positive developments, but, for now, we are happy to have already established our position there; the fund's exposure to Japanese equities currently stands at around 17%. Over the month all but one of the Japanese stocks held in the fund produced positive returns, with Hazama Ando (a construction company with a special focus on civil engineering), and Mitsubishi Electric (the leading industrial electronics company in Japan), particularly strong performers.

Elsewhere in the fund, there was a move to take profits in the short-dated index-linked gilts. This sale came after a speech by Mark Carney in September, which resulted in a sharp move up in short term interest rate expectations. A subsequent move to increase rates would be negative for the price of the index-linked bonds (rates up, price of bond down), unless accompanied by a shift upwards in UK inflation expectations. While inflation in the UK is starting to pick up and pressures continue to build, we felt that it was unlikely to pick up even further in the immediate short term. The holdings in the long-dated index-linked gilts, however, remain untouched, as we continue to see them as crucial protective assets within the fund.

Please note there was an error in last month's report. The fund return was quoted as having increased by 1.2%, as opposed to a decrease of 1.2%. We apologise for any inconvenience this may have caused.

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

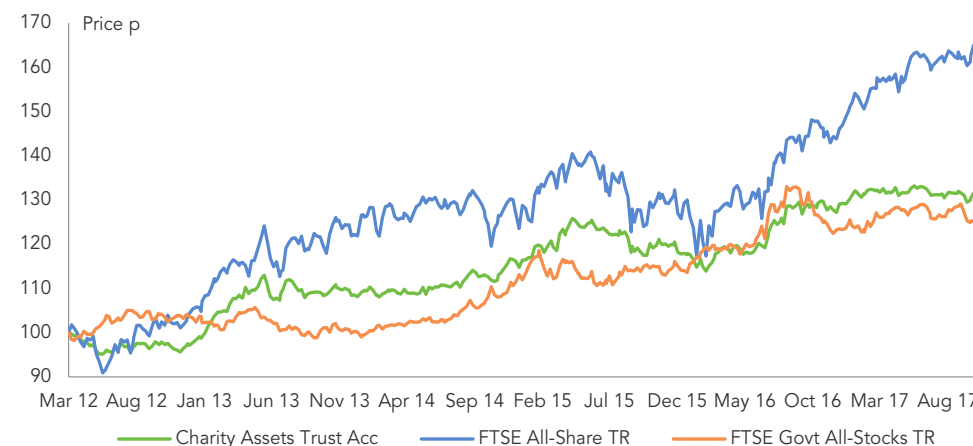
## Investment objective

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



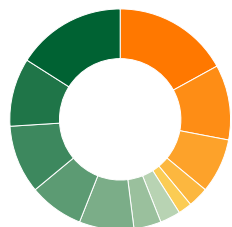
| Performance %             | October 2017 | Year to date | 1 year                           | 3 years | 5 years | 10 years |   |
|---------------------------|--------------|--------------|----------------------------------|---------|---------|----------|---|
| Accumulation units        | 1.6          | 1.8          | 2.2                              | 17.3    | 37.7    | na       |   |
| Percentage growth         | %            |              | Unit price as at 31 October 2017 |         |         |          | p |
| 30 Sep 2016 – 30 Sep 2017 | 1.7          |              | Accumulation                     |         | 132.55  |          |   |
| 30 Sep 2015 – 30 Sep 2016 | 9.3          |              | Income                           |         | 118.50  |          |   |
| 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 31 October 2017

## Asset allocation



| Asset allocation              | %  |
|-------------------------------|----|
| Short-dated bonds             | 16 |
| Non-UK index-linked           | 10 |
| Long-dated index-linked gilts | 10 |
| Index-linked gilts            | 8  |
| Cash                          | 8  |
| Gold and gold equities        | 4  |
| Illiquid strategies           | 3  |
| Japan equities                | 17 |
| UK equities                   | 11 |
| North America equities        | 8  |
| Europe equities               | 3  |
| Asia ex-Japan equities        | 2  |

| Currency allocation | %  |
|---------------------|----|
| Sterling            | 80 |
| Yen                 | 6  |
| US dollar           | 5  |
| Gold                | 4  |
| Other               | 5  |

## Currency allocation



## 10 largest of 63 equity holdings\*

| Stock                     | % of fund |
|---------------------------|-----------|
| Mitsubishi UFJ Financial  | 2.1       |
| Dai-ichi Life Insurance   | 2.0       |
| Lloyds Banking Group      | 1.9       |
| Sony                      | 1.6       |
| Tesco                     | 1.5       |
| ORIX                      | 1.5       |
| Sumitomo Mitsui Financial | 1.4       |
| Mizuho Financial          | 1.3       |
| Kinross Gold              | 1.2       |
| Statoil Asa               | 1.1       |

## 5 largest of 13 bond holdings

| Stock                                | % of fund |
|--------------------------------------|-----------|
| UK Treasury Bill 0% 2017             | 7.2       |
| UK Treasury Bill 0% 2018             | 7.0       |
| UK Treasury index-linked 0.5% 2050   | 5.9       |
| US TIPS 1.125% 2021                  | 5.0       |
| UK Treasury index-linked 0.125% 2019 | 4.1       |

\*Excludes holdings in pooled funds  
Source: Ruffer LLP

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Fund size **£97.4m**

## 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 October 2017, assets managed by the Ruffer Group exceeded £22.1bn, of which charities represented £2.0bn.

Dealing line

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## Enquiries

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