Charity Assets Trust

Positive absolute returns with low volatility for charities

February 2018 Issue 72

During February the fund price declined by 1.4%. This compared with a fall of 3.3% in the FTSE All-Share Index and an increase of 0.2% in the FTSE Government All-Stocks Index (both figures are total returns in sterling).

The 'caffeine rush' injected into equity markets at year end, by way of the US corporation tax cut announcement, was something of a distant memory by early February, with investor sentiment experiencing a post-euphoric slump. There has been much debate about the extinction, or otherwise, of the Philips Curve: the notion that lower levels of unemployment will filter into higher inflation. January's reading for US average hourly wage growth over the last year came in at 2.9%, the largest increase since 2009, suggesting the natural laws of supply and demand are indeed reinstating themselves as the economy shows signs of normalising. There is perhaps some irony then, that the supposed trigger for this sudden bout of nervous tension was in fact positive economic news. The markets' reliance on abnormally low interest rates was always likely to be tested however, as economic growth rebounded and increased the likelihood that central bankers would look to raise rates and reverse the tide of liquidity that has been so supportive of asset prices over the last nine years.

The positive news on US economic momentum and the natural reaction in the US ten year yield rising to 2.9% was enough to invoke a correlated sell off in all major asset classes. This is a salutary reminder of the dangers and flaws of the current market structure. Since the financial crisis, policy has been characterised by financial repression: the act of keeping interest rates below inflation. This has forced investors to choose between accepting negative real returns on their current asset allocation or increasing their risk profile. Equities, as well as high yielding corporate and emerging market debt, have been the principle beneficiaries of the shift by investors away from safer but low-yielding securities. A reversal of this, and the reintroduction of a positive real return on assets such as short-term government bonds has, temporarily at least, led investors to reappraise their risk appetites.

A feature of this low yield world has been the absence of normal levels of volatility in risk assets. The search for income, arguably at any price has, until February's hiccup, seen valuations glide serenely northwards. It was notable that the correlated fall in equity and bond prices corresponded with a sharp rise in investor fear as measured by the VIX index. The fund has held put options on the S&P 500 index to provide some protection against this type of scenario and this provided a small positive contribution to performance in the month.

In addition to the index-linked gilts, there were a number of stock specific positions that produced strong positive returns during the month including Ocado, Tesco, Fujifilm and Sony. The recent spike in US wage growth is perhaps a reminder that, whilst inflationary pressure remains reasonably muted, they are far from dead. Couple this with a financial market structure priced significantly off a low yield environment and the structural risks are clear. We will continue to contain the fund's equity exposure with a bias towards protective assets for the longer-term.

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

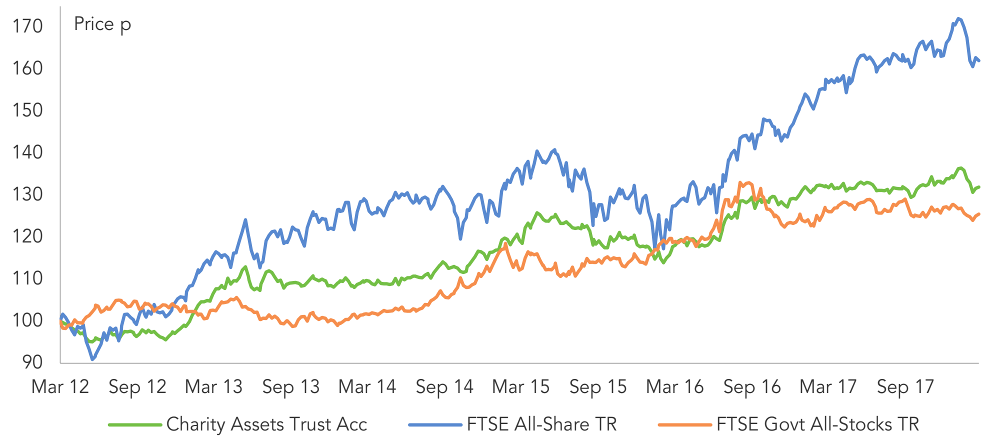
Investment objective

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 %	February 2018	Year to date	1 year	3 years	5 years	10 years
Accumulation units	-1.4	-1.6	0.0	9.3	25.6	na

Percentage growth	%
31 Dec 2016 – 31 Dec 2017	3.0
31 Dec 2015 – 31 Dec 2016	10.5
31 Dec 2014 – 31 Dec 2015	1.2
31 Dec 2013 – 31 Dec 2014	6.5
31 Dec 2012 – 31 Dec 2013	10.7

Unit price as at 28 February 2018	**p**
Accumulation	**131.97**
Income	**117.84**

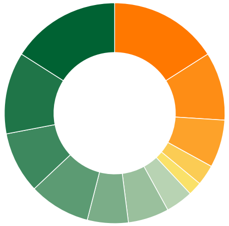
Source: Ruffer LLP, FTSE International (FTSE)†

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 28 February 2018

Asset allocation

Currency allocation



Asset allocation	%
Cash	16
Long-dated index-linked gilts	12
Short dated bonds	9
Non-UK index-linked	9
Gold and gold equities	6
Index-linked gilts	6
Illiquid strategies	4
Japan equities	16
UK equities	10
North America equities	7
Europe equities	3
Asia ex-Japan equities	2

Currency allocation	%
Sterling	66
US dollar	14
Yen	10
Gold	6
Euro	1
Other	3

10 largest of 60 equity holdings*

Stock	% of fund
Mitsubishi UFJ Financial	2.1
Tesco	2.1
Dai-ichi Life Insurance	2.0
iShares Physical Gold	2.0
Sumitomo Mitsui Financial	1.5
ORIX	1.5
Sony	1.3
Mizuho Financial	1.3
Statoil ASA	1.1
Kinross Gold	1.1

5 largest of 13 bond holdings

Stock	% of fund
UK Treasury Bill 0% 2018	7.0
UK Treasury index-linked 0.5% 2050	6.0
US TIPS 1.125% 2021	4.7
UK Treasury index-linked 0.125% 2019	4.0
UK Treasury index-linked 0.375% 2062	2.5

*Excludes holdings in pooled funds
Source: Ruffer LLP

Fund size £97.7m

Fund information

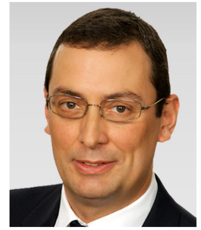
		%
Ongoing Charges Figure		1.19
Annual management charge		1.0 + VAT
Maximum initial charge		1.0
Yield		1.3
Minimum investment		£500
Ex dividend dates		15 January, 15 April, 15 July, 15 October
Pay dates		15 March, 15 June, 15 September, 15 December
Dealing		Weekly forward, every Wednesday
Cut off		Close of business on Wednesday
Unit classes		Accumulation and income
	Accumulation	Income
ISIN	GB00B740TC99	GB00B7F77M57
SEDOL	B740TC9	B7F77M5
Manager and investment adviser		Ruffer AIFM Limited
Trustee		BNY Mellon Fund & Depositary (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 28 February 2018, assets managed by the Ruffer Group exceeded £22.5bn, of which charities represented over £2.2bn.

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