Charity Assets Trust

Positive absolute returns with low volatility for charities

March 2018 **Issue 73**

During March the fund price declined by 0.9%. This compares with a depreciation of 1.8% in the FTSE All-Share Index and an increase of 2.0% in the FTSE Government All-Stocks Index (both figures are total returns in sterling).

The volatility spasm that hit financial markets in February seemingly petered out as we went into March, although the aura of calm was tellingly superficial. After an elongated period of rising equity markets, coupled with an unnatural absence of volatility, the first quarter of 2018 marked the first negative returns for US equities since 2015. While February's blip was very much a market event provoked by rising US bond yields and a sudden spike in volatility, more recent concerns have been emanating from the 'real world'. Threats from President Trump over trade sanctions against China and the escalation of 'Cold War' tensions between Russia and the West depressed sentiment. In addition, data security issues revealed at Facebook were sufficient to derail the so-called FANGS (Facebook, Amazon, Netflix and Google), stocks that have spearheaded the broader equity market rise for some time.

Beneath the increased gyrations seen in equity markets however, it has been notable that the tensions seen in the bond markets during February eased somewhat in March. Much of the focus around US fiscal management has been upon the corporation tax cuts announced late last year. These tax cuts have been readily digested by the stock market in the form of higher anticipated corporate profits and higher share prices. Meanwhile, the US government's ability, or otherwise, to balance the books has perhaps received far less attention. With some estimates suggesting that total borrowing of up to $1 trillion will be required for 2018 (nearly double that of 2017), it is difficult not to assume that at some point, investors – the purchasers of US debt – will demand a higher return.

The spike in volatility seen in February, has confirmed our long-held view that financial markets have been unduly inflated by the impact of quantitative easing and semi-permanent 'emergency' interest rates. This has had the unintended consequence of unnaturally supressing market volatility and thus, creating a seemingly virtuous circle of rising markets and low volatility. The volatility spike did not contaminate corporate credit markets but it came close and was, in our view, a seminal event. The term 'credit', itself derived from the word 'belief', lies at the heart of the problem for the overall market structure. Credit, in our view, is mispriced and vulnerable to a correction, as improving western economies induce pressure for upward movements in interest rates. As other market participants increasingly question the underlying price of credit and the assumptions behind it, we have been 'non-believers' for some time and continue to hold a protective position that should benefit.

Given these ongoing structural concerns within financial markets, we continue to maintain a broad asset allocation within a 60:40 structure, with the bias towards protection. The main positive contributors during the month came from long-dated index-linked bonds and out of favour UK pharmaceutical companies, with the main detractors being Japanese financials. While the 'phoney war' has evidently started, it is difficult to pinpoint the exact moment when markets will become more hostile. As such, we will continue to seek value in equity markets but within an overall buttress of protection.

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

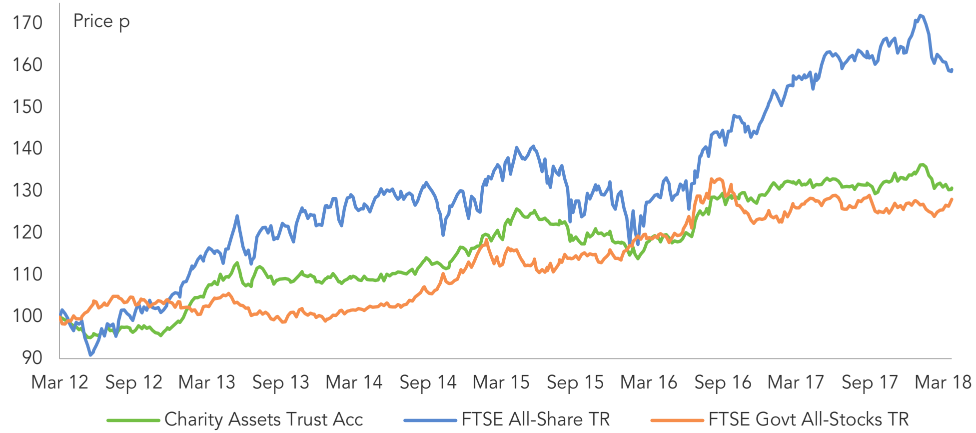
Investment objective

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 %	March 2018	Year to date	1 year	3 years	5 years	10 years
Accumulation units	-0.9	-2.5	-0.6	7.1	20.9	na

Percentage growth	%
31 Mar 2017 – 31 Mar 2018	-0.6
31 Mar 2016 – 31 Mar 2017	10.5
31 Mar 2015 – 31 Mar 2016	-2.5
31 Mar 2014 – 31 Mar 2015	11.6
31 Mar 2013 – 31 Mar 2014	1.1

Unit price as at 29 March 2018	**p**
Accumulation	**130.82**
Income	**116.82**

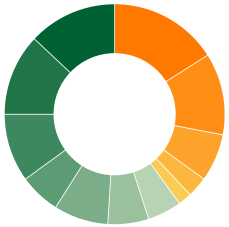
Source: Ruffer LLP, FTSE International (FTSE)†

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.

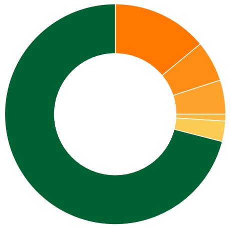
Charity Assets Trust as at 29 March 2018

Fund size £93.7m

Asset allocation



Currency allocation



Asset allocation	%
Long-dated index-linked gilts	13
Short-dated bonds	12
Non-UK index-linked	10
Index-linked gilts	6
Cash	8
Gold and gold equities	6
Illiquid strategies	5
Japan equities	16
UK equities	12
North America equities	7
Europe equities	3
Asia ex-Japan equities	2

Currency allocation	%
Sterling	71
US dollar	14
Gold	6
Yen	5
Euro	1
Other	3

10 largest of 61 equity holdings*

Stock	% of fund
Tesco	2.1
Mitsubishi UFJ Financial	2.0
Dai-ichi Life Insurance	1.9
iShares Physical Gold	1.5
ORIX	1.5
Sumitomo Mitsui Financial	1.5
Sony	1.3
Mizuho Financial	1.2
Kinross Gold	1.2
Goldcorp	1.1

5 largest of 13 bond holdings

Stock	% of fund
UK Treasury Bill 0% 2018	7.3
UK Treasury index-linked 0.5% 2050	6.4
US TIPS 1.125% 2021	4.9
UK Treasury index-linked 0.125% 2019	4.2
UK Treasury index-linked 0.375% 2062	2.8

*Excludes holdings in pooled funds
Source: Ruffer LLP

Fund information

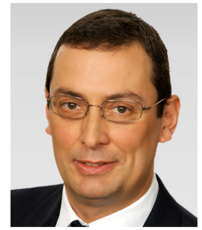
	%	
Ongoing Charges Figure	1.19	
Annual management charge	1.0 + VAT	
Maximum initial charge	1.0	
Yield	1.3	
Minimum investment	£500	
Ex dividend dates	15 January, 15 April, 15 July, 15 October	
Pay dates	15 March, 15 June, 15 September, 15 December	
Dealing	Weekly forward, every Wednesday	
Cut off	Close 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 31 March 2018, assets managed by the Ruffer Group exceeded £22.0bn, of which charities represented over £2.1bn.

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