Charity Assets Trust

Positive absolute returns with low volatility for charities

During May, the fund price rose by 0.9%. This compared with an appreciation of 2.8% in the FTSE All-Share Index and an increase of 1.8% in the FTSE Government All-Stocks Index (both figures are total returns in sterling).

The Geopolitical Risk Index, constructed by Dario Caldara and Matteo Iacoviello, has been rising sharply recently, with the five year moving average of this index only higher on two previous occasions: prior to both World Wars. Despite this, financial markets appear on the surface to be unfazed, as seen by the performance of equities and volatility over the month. Looking at the reaction of the bond market to Italy's political issues at the end of May, however, suggests that geopolitical events can have a profound impact on financial markets, to a degree likely to be exacerbated at a time of high valuations and decreasing support from central banks.

The failure to form a new government in Italy resulted in a huge spike in yields, and consequently, a sharp fall in the price of Italian government bonds. At the open on Monday 28 May, the Italian two year bond yielded just under 0.4%, but by 10.00 am on Tuesday 29 May it had reached just over 2.7%. This was unprecedented, an almost 15 standard deviation move compared to the average daily move – at the peak of the eurozone crisis in 2011, the corresponding move was just under ten standard deviations. This was short-lived, but just as with the surge in volatility in February, we believe that this episode provides a window into how future sell-offs in conventional bonds and corporate credit may unfold.

The move highlighted the illiquidity within a seemingly liquid market: the Italian bond market is the third largest in the world. The speed at which the prices of its bonds fell, however, suggested that the market was flooded with investors all trying to exit their positions simultaneously. As a result, many investors were forced to take a lower price just to exit their position as the liquidity was simply not there, a problem that will be even worse in the corporate credit market. A synchronised 'rush for the exit' from low grade corporate credit, where there has been a huge issuance, is something we have been long concerned about.

It also reinforced the idea that a traditionally 'defensive' asset class, such as government bonds, potentially carries far more risk than investors believe. On Tuesday 29 May, the London-listed iShares Italy Government Bond Exchange Traded Fund (ETF) fell 4.9%, suggesting that bonds, at current prices and with yields looking more likely to rise than fall, may not carry the protection many investors believe they offer. As a result, conventional multi-asset portfolios, which rely on bonds to protect in equity market falls, may be far riskier than assumed.

As a result, we continue to avoid conventional bonds, actively picking single stocks (holdings in Tesco and Ocado were largely responsible for the equity gains during the month) rather than relying on ETFs and holding protective assets within the portfolio aligned to providing returns uncorrelated with equities and bonds.

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

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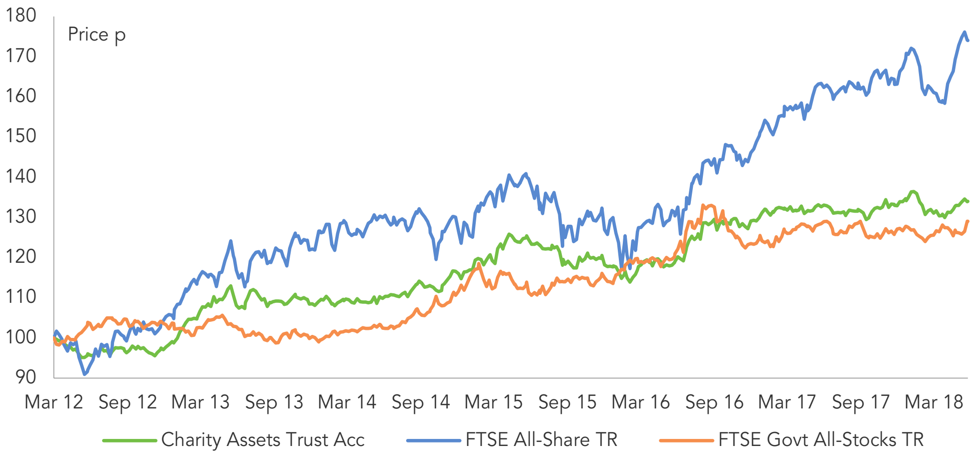
Investment objective

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 %	May 2018	Year to date	1 year	3 years	5 years	10 years
Accumulation units	0.9	-0.1	1.1	6.9	22.1	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

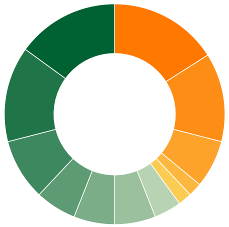
Unit price as at 31 May 2018	**p**
Accumulation	**134.02**
Income	**119.16**

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 May 2018

Asset allocation



Currency allocation

Asset allocation	%
Short-dated bonds	15
Long-dated index-linked gilts	14
Non-UK index-linked	9
Cash	6
Gold and gold equities	6
Index-linked gilts	6
Illiquid strategies	4
Japan equities	16
UK equities	13
North America equities	7
Europe equities	2
Asia ex-Japan equities	2

Currency allocation	
Sterling	70
US dollar	15
Gold	6
Yen	5
Other	4

10 largest of 61 equity holdings*

Stock	% of fund
Tesco	2.5
iShares Physical Gold	2.0
Dai-ichi Life Insurance	2.0
Mitsubishi UFJ Financial	1.9
Sumitomo Mitsui Financial	1.5
ORIX	1.5
Sony	1.3
Mizuho Financial	1.2
Walt Disney	1.2
Goldcorp	1.2

5 largest of 12 bond holdings

Stock	% of fund
UK Treasury Bill 0% 2018	10.7
UK Treasury index-linked 0.5% 2050	6.3
US TIPS 1.125% 2021	5.0
UK Treasury index-linked 0.125% 2019	4.1
UK Treasury index-linked 0.125% 2068	3.7

*Excludes holdings in pooled funds
Source: Ruffer LLP

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Fund size £95.3m

Fund information

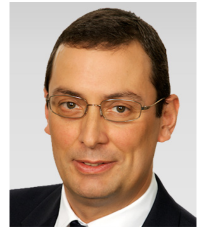
		%
Ongoing Charges Figure		1.14
Annual management charge		1.0 + VAT
Maximum initial charge		1.0
Yield		1.53
Minimum investment		£500
Ex dividend dates		15 January, 15 April, 15 July, 15 October
Pay dates		15 March, 15 June, 15 September, 15 December
Dealing		Weekly forward, every Wednesday
Cut off		Close 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 May 2018, assets managed by the Ruffer Group exceeded £22.4bn, of which charities represented over £2.1bn.

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