

# Charity Assets Trust

Positive absolute returns with low volatility for charities

During May the fund price fell by 0.1%. This compared with a rise of 0.7% in the FTSE All-Share Index and a rise of 1.7% in the FTSE Govt All-Stocks Index (both figures are total returns in sterling).

The US dollar has been weak this year and hit a low at the beginning of the month with the trade-weighted measure reaching levels not seen since May of last year. The US currency then rebounded 4.3% over the month. This recovery seems to have been driven both by an improvement in the economic data coming from the US, most notably in the housing sector which is perhaps the most obvious beneficiary of artificially low interest rates, but also as the result of efforts by the members of the US central bank board to talk up the possibility of an interest rate hike at either the June or July meeting. The 'will they, won't they' narrative is seemingly back on the table and the probabilities of a rise in the Federal funds rate at either of the next two meetings sits at 22% and 53% at the time of writing. Rising interest rates and a stronger dollar are not a favourable environment for gold and the spot price pulled back 6% following a very sharp rise earlier in the year. The Trust's exposure to gold bullion and gold mining equities was the largest detractor to performance costing 50 basis points.

We have written previously about how the dovish message from the US Federal Reserve was the most likely driver of the rebound in equity markets off their February lows. The weakening dollar has provided some much needed breathing space for emerging markets as well as relieving the downward pressure on commodities, which are priced in US dollars. It is therefore notable that after an initial wobble equity markets took this hawkish turn in their stride, with the S&P index finishing the month close to all-time highs, a development that may embolden the market-conscious members of the Federal Open Market Committee. It is surprising that in a month when the first quarter corporate reporting season revealed an aggregate revenue decline of 3.7% and an earnings per share decline of 6.1%, the S&P rose even when there were hints that the monetary stance will become less accommodative. We are sceptical that easy money in itself can drive this rally much further and it will take signs of a return to top-line growth for us to add meaningfully to our equity positions.

The fall in sterling early in the year due to 'Brexit' concerns was frustrating as it reduced the reliability of overseas currencies as part of our armoury of offsets as has sterling's tendency to be swayed aggressively by seemingly random opinion polls. That being said, the recent recovery in sterling provided a useful opportunity to add to our yen weighting which we increased to 12% towards the end of the month. The yen still acts as a safe-haven currency in times of global stress and given the equity market dynamics described above, as well as the approach of a large number of risk events, we believe it could offer an important source of protection.

As the month drew to a close, the leaders of the G7 met in Japan with a discussion on the possible use of fiscal stimulus high up on the agenda. We strongly believe that fiscal stimulus will be at the forefront of the next policy response, even though there seems to have been no co-ordinated action out of the G7. The danger therefore grows that it may be only in response to a deflationary downturn in markets that the fiscal option is chosen. As such, we believe it appropriate to contain the Trust's equity weighting to under 35%, and to maintain the exposure to defensive assets such as index-linked bonds, the yen and gold.

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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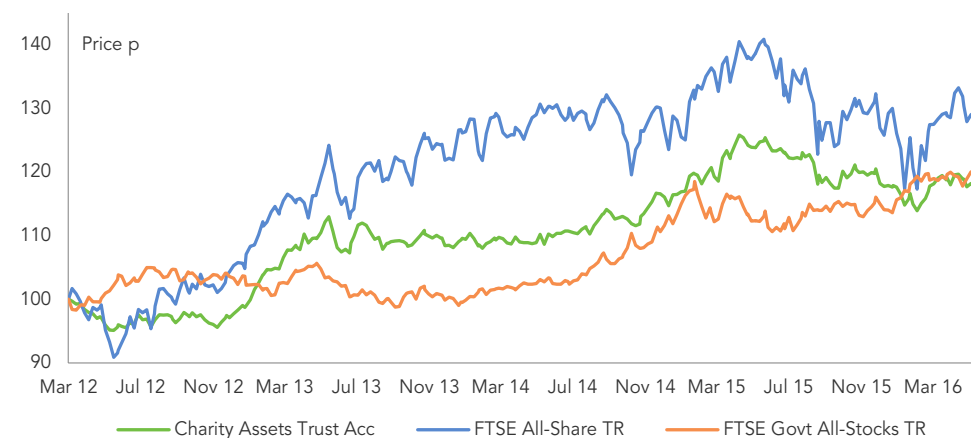
## Investment objective

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 2016	Year to date	1 year	3 years	5 years	10 years
Accumulation units	-0.1	0.7	-5.3	8.2	na	na
Percentage growth		%				
31 Mar 2015 – 31 Mar 2016		-2.5				<b>118.76</b>
31 Mar 2014 – 31 Mar 2015		11.6				<b>109.36</b>
31 Mar 2013 – 31 Mar 2014		1.1				
31 Mar 2012 – 31 Mar 2013		9.3				
31 Mar 2011 – 31 Mar 2012		na				

Source: Ruffer LLP

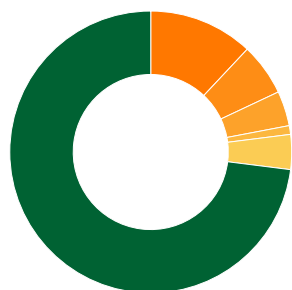
Ruffer performance is shown after deduction of all fees and management charges, and on the basis of income being reinvested. Past performance is not a guide to future performance. The value of the shares and the income from them can go down as well as up and you may not get back the full amount originally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

# Charity Assets Trust as at 31 May 2016

## Portfolio structure



Asset allocation	%		%
● Non-UK index-linked	19	● Japan equities	14
● Index-linked gilts	12	● UK equities	7
● Long dated index-linked	10	● North America equities	7
● Short-dated bonds	5	● Europe equities	3
● Cash	12	● Asia ex-Japan equities	1
● Gold and gold equities	6		
● Illiquid strategies	4		



Currency allocation	%
● Sterling	73
● Yen	12
● Gold	6
● US dollar	4
● Euro	1
● Other	4

## 5 largest of 13 bond holdings

Stock	% of fund	Stock	% of fund
UK Treasury index-linked 0.5% 2050	6.1	Dai-ichi Life Insurance	1.6
US TIPS 1.125% 2021	5.8	Sony	1.6
UK Treasury index-linked 0.125% 2024	5.0	Novartis	1.5
UK T-Bill 0% 2016	5.0	Nomura Real Estate	1.5
UK Treasury index-linked 1.875% 2022	4.9	Oracle	1.5

Source: Ruffer LLP

## 5 largest of 48 equity holdings\*

Stock	% of fund
Dai-ichi Life Insurance	1.6
Sony	1.6
Novartis	1.5
Nomura Real Estate	1.5
Oracle	1.5

\* Excludes holdings in pooled funds

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## Fund size £67.5m

## Fund information

Ongoing Charges Figure	1.19
Annual management charge	1.0 + VAT
Maximum initial charge	1.0
Yield	1.4
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 May 2016, assets managed by the Ruffer Group exceeded £18.2bn, of which charities represented £2.0bn.

## Dealing line

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