Charity Assets Trust

Positive absolute returns with low volatility for charities

November 2017 **Issue 69**

During November the fund price rose by 0.3%. This compared with a fall of 1.7% 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).

Financial assets continue to move upwards in a world of increasingly subdued volatility, leaving us to ponder if we are in a new paradigm, witnessing a parallel universe, or perhaps the froth on the final wave in a liquidity induced super-cycle for financial assets. There have been some assets that have ridden this wave particularly strongly as of late. We continue to avoid such assets, although that is not to say that they cannot continue to appreciate in value over time – near zero interest rates tempt investors to take little heed of fundamentals. Equally, with the current structure of derivative markets seemingly indicating that trades are largely being employed for speculative rather than hedging purposes, it is not difficult to conclude that both risk appetites and complacency are running high.

While there is evidently a strong need to focus on downside risk, the era of quantitative easing has left something of a dichotomy in the stock market, the extent of which has not perhaps been seen since the great TMT boom of 1999. Then it was the 'old economy' and defensive stocks that were shunned, while this time the search for income post 2008 has seen those stocks perceived to be safe and dependable dividend payers enjoy a substantial re-rating. In contrast, those companies more exposed to the economic cycle now very much fall into the 'unloved' camp and present, we believe, an opportunity. The equities within the fund remain tilted in this direction, with Walt Disney and Delphi Automotive, an electrical component company that is heavily exposed to increasing 'electrification' of cars, through improved safety features, fuel efficiency and connectivity, added during the month.

Over the past year, the fund has enjoyed some success by seeking opportunities in food retail – a sector that has been written off as an area of permanent margin pressure and earnings declines. While the competitive nature of the sector is self-evident, the potential earnings enhancement through improved efficiencies and deployment of capital co-exist in some of the larger operators. It is notable that Tesco was a significant contributor to performance this month, and we believe it is clearly a case where management can make a significant difference. The dynamics within this sector were further demonstrated by Ocado, in which the fund holds a small positon, when a new contract win saw the stock rise significantly. We continued to add to this theme within the fund by increasing the position in Marks & Spencer.

We go into December with much anticipation as to President Trump's cuts in the rate of US corporation tax. Given the concern over the potential for a sclerotic presidency, implementing a reduction in corporation tax to 20% will be a significant victory and a likely one-off boost to earnings of around 10% for the S&P 500. It is not obvious what, however, this will mean for the unemployed steel mill worker in the rust belt and as such, the pressure for a fiscal initiative is likely to resurface in the New Year. Equally, in the UK, the recent budget was illustrative of the political tightrope being walked by the current chancellor amidst growing pressure to pull the fiscal lever and spend. As such, index-linked bonds remain the cornerstone of our protective assets.

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

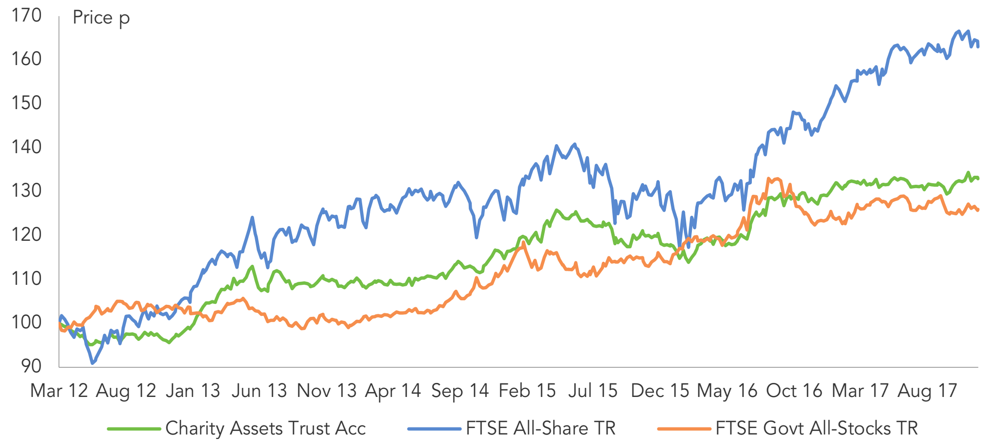
Investment objective

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 %	November 2017	Year to date	1 year	3 years	5 years	10 years
Accumulation units	0.3	2.1	4.6	14.0	36.4	na

Percentage growth	%
30 Sep 2016 – 30 Sep 2017	1.7
30 Sep 2015 – 30 Sep 2016	9.3
30 Sep 2014 – 30 Sep 2015	4.0
30 Sep 2013 – 30 Sep 2014	3.9
30 Sep 2012 – 30 Sep 2013	11.8

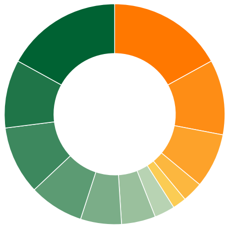
Unit price as at 30 November 2017	**p**
Accumulation	**132.98**
Income	**119.03**

Source: Ruffer LLP, FTSE International (FTSE)†

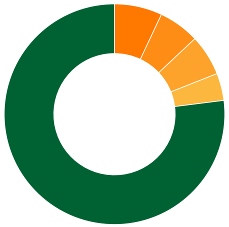
Ruffer performance is shown after deduction of all fees and management charges, and on the basis of income being reinvested. Past performance is not a guide to future performance. The value of the shares and the income from them can go down as well as up and you may not get back the full amount originally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

Charity Assets Trust as at 30 November 2017

Asset allocation



Currency allocation



Asset allocation	%
• Short-dated bonds	17
• Non-UK index-linked	10
• Long-dated index-linked gilts	10
• Index-linked gilts	8
• Gold and gold equities	6
• Cash	5
• Illiquid strategies	3
• Japan equities	17
• UK equities	11
• North America equities	8
• Europe equities	3
• Asia ex-Japan equities	2

Currency allocation	%
• Sterling	77
• Yen	7
• US dollar	6
• Gold	6
• Other	4

10 largest of 66 equity holdings*

Stock	% of fund
Mitsubishi UFJ Financial	2.1
Dai-ichi Life Insurance	2.1
iShares Physical Gold	2.0
Tesco	1.9
Sony	1.8
Lloyds Banking Group	1.8
ORIX	1.4
Sumitomo Mitsui Financial	1.4
Kinross Gold	1.3
Mizuho Financial	1.2

5 largest of 13 bond holdings

Stock	% of fund
UK Treasury Bill 0% 2018	7.1
UK Treasury Bill 0% 2018	6.9
UK Treasury index-linked 0.5% 2050	5.9
US TIPS 1.125% 2021	4.8
UK Treasury index-linked 0.125% 2019	4.0

*Excludes holdings in pooled funds
Source: Ruffer LLP

Fund size £98.0m

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
	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 30 November 2017, assets managed by the Ruffer Group exceeded £22.0bn, of which charities represented £2.0bn.

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