

# Charity Assets Trust

Positive absolute returns with low volatility for charities

The Federal Reserve, the IMF, the Bank of England and Goldman Sachs amongst others have moved their forecasts to suggest a soft landing, or no landing, is the most likely outcome for the global economy. A new, rosier narrative has emerged: that a recession will be avoided, and immaculate disinflation has been achieved vindicating market bulls and central bankers alike. The Nasdaq is up 37% year to date, performance to rival the dot.com boom.

This looks to us like a prime example of price action driving the narrative. Markets think a recession can be avoided because markets are going up. However, economic fundamentals continue to weaken with a reduced availability of credit, visible cracks in a previously strong labour market, and other key leading indicators such as manufacturing survey data are now in recessionary territory. Meanwhile, monetary conditions continue to tighten as global central banks raise rates and quantitative tightening (QT) continues apace. We believe that both the economy and financial ecosystem are conditioned to low interest rates and are incapable of enduring interest rates in excess of 5%.

At the same time, real yields are dramatically increasing – now as high as 3% on two year US inflation protected bonds. We have previously focused on the speed at which real yields have risen, as a guide to market fragility. This year real yields have risen slowly, but inexorably, and we think the second half of 2023 will be about discovering where the biting point is. If history is our guide, it is close.

In July, the rise in global real yields hurt inflation linked bonds. The mix of derivative protections were also a small drag. These were more than offset by our oil exposure, the biggest risk-on asset in the portfolio, which rose 14% in the month in response to further OPEC supply cuts.

On the penultimate day of the month the Bank of Japan ended their yield curve control policy. The news was met with a pop rather than a bang – the yen didn't move much. However, that pop was the starting pistol for something bigger. We have considerable exposure to the yen, directly and via derivatives, and believe these positions have a long way to run. The end of extreme monetary policy divergence, forcing all weakness through the currency, should see a material strengthening in the yen. Japanese government bond yields floating higher may be the final anchor to slip loose on global duration, which will have ripples across other capital markets.

The surge in risk appetite from the presumed economic 'all clear' has allowed credit spreads to tighten, equity market puts have become cheaper still, and equity volatility (measured by the VIX) has now fallen back to pre-covid levels. Having cost the portfolio year to date, these protections are now highly attractive and, usually, tend to be most advantageous when nobody wants them.

The overarching message to our investors is that we have been here before, and that feeling uncomfortable is sometimes necessary for differentiated results. We retain a high level of conviction that the portfolio is correctly positioned given the environment we see and hope to deliver on the patience and faith shown in us by our investors this year.

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.



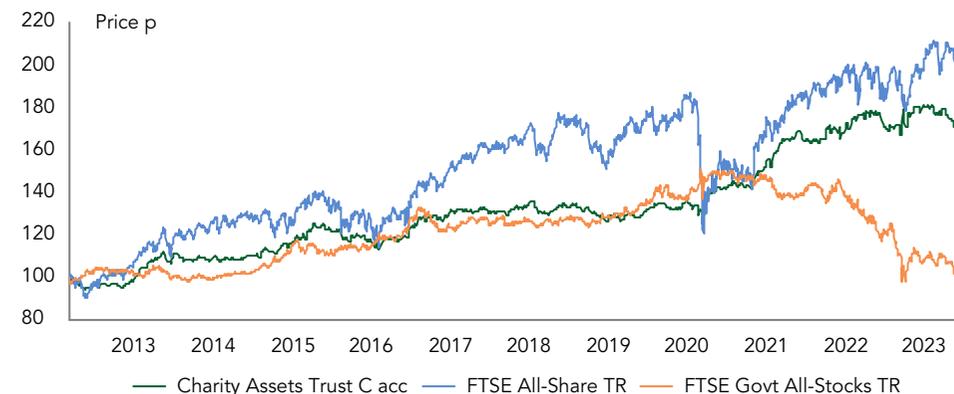
## Investment objective

The fund will follow an 'absolute return' investment strategy. This means the Manager will not endeavour to track or 'outperform' a specific benchmark or stock market index, but instead seek to generate consistent positive returns regardless of the prevailing market conditions. The Manager expresses its absolute return approach through two principal investment objectives for the fund: 1) preservation of capital, which the Manager defines as not losing money on a rolling 12 month basis and 2) delivering consistent positive returns (through a combination of capital and income) greater than the return on cash (as defined by the Bank of England Bank Rate).

## Responsible Investment Policy

The fund has strict restrictions on investment in alcohol, armaments, gambling, pornography, predatory lending, tobacco, oil sands and thermal coal. It also follows a proactive voting and engagement approach with companies held within the fund. The fund is monitored against UN Global Compact principles, MSCI's ESG Metrics and the managers also monitor the fund's carbon metrics.

## Performance since launch on 8 March 2012



C Accumulation units	Performance %	Unit price as at 31 July 2023	p
July 2023	-0.1	<b>C Accumulation</b>	<b>167.89</b>
Year to date	-7.3	<b>C Income</b>	<b>136.88</b>
1 year	-2.3		
3 years	17.1		
5 years	24.9		

12 month performance to June %	2019	2020	2021	2022	2023
Charity Assets Trust C acc	-1.8	8.7	15.6	4.0	-1.8
FTSE All-Share TR	0.6	-13.0	21.5	1.6	7.9
FTSE Govt All-Stocks TR	4.9	11.2	-6.2	-13.6	-14.5

Source: Ruffer LLP, FTSE International

# Charity Assets Trust as at 31 Jul 2023

## Asset allocation



Asset allocation	%
Short-dated bonds	32.5
Illiquid strategies and options	13.1
Long-dated index-linked gilts	8.1
Index-linked gilts	8.0
Non-UK index-linked	7.4
Cash	6.9
Gold exposure and gold equities	5.5
UK equities	8.3
North America equities	2.8
Commodity exposure	2.8
Asia ex-Japan equities	2.5
Europe equities	1.7
Other equities	0.3

Currency allocation	%
Sterling	56.9
Yen	17.0
US dollar	13.2
Australian dollar	7.9
Euro	0.2
Other	4.8

## Currency allocation



## 10 largest equity holdings\*

Stock	% of fund
BP	4.6
Alibaba Group Holding	0.8
Taiwan Semiconductor Manufacturing Co	0.8
Swire Pacific	0.6
Harmony Energy	0.6
Gresham House Energy Storage Fund	0.5
PRS REIT plc	0.5
Agnico Eagle Mines	0.5
Schroder BSC Social Impact Trust	0.4
Cigna	0.3

## 5 largest bond holdings

Stock	% of fund
US Treasury FRN 31 Jan 2025	6.4
UK Treasury index-linked 0.125% 2026	4.7
Japanese govt bonds 0.005% 1 Apr 2024	4.5
Japanese govt bonds 0.005% 1 May 2024	4.5
Japanese govt bonds 0.005% 1 Jun 2024	4.3

\*Excludes holdings in Ruffer funds

Source: Ruffer LLP.  
Pie chart totals may not equal 100 due to rounding.

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Fund size **£517.0m**

## Fund information

Ongoing Charges Figure	1.14
Annual management charge	1.0 + VAT
Maximum initial charge	1.0
Yield	1.8
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 where this is a business day  
Plus the last business day of the month

Cut off 12.00pm on Wednesday (where this is a business day) and the last business day of the month

Unit classes Accumulation and income

ISIN	Accumulation	Income
GB00B740TC99	GB00B7F77M57	

SEDOL B740TC9 B7F77M5

Manager and investment adviser Ruffer AIFM Limited

Trustee BNY Mellon Fund & Depository (UK) Ltd

Custodian Bank of New York Mellon SA/NV  
Administrator Bank of New York Mellon (International) Limited

Auditors Ernst & Young UK LLP

Legal advisers Eversheds Sutherland (International) 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 Managers

### Jos North

INVESTMENT DIRECTOR

Joined Ruffer in 2012 and now leads Ruffer's UK institutional business, including UK defined benefit, defined contribution and local government pension schemes, and UK charities. He is a member of the CISI, following completion of the CISI diploma and co-manages two of Ruffer's flagship funds.



### Jenny Renton

INVESTMENT DIRECTOR

Joined Ruffer in 2013 and leads Ruffer's US team and co-manages two of Ruffer's flagship funds. Previous roles included oil and gas companies and the fund team at Ingenious Investments. She is a CFA charterholder.



### Ajay Johal

INVESTMENT DIRECTOR

Joined Ruffer in 2014 from Barclays Wealth. In 2019, he worked as an equity analyst in Ruffer's Hong Kong office, then joined the charities team in London as an Investment Manager. He holds a degree in history and sociology from the University of Warwick and is a member of the Chartered Institute of Securities & Investment.



## Ruffer LLP

Ruffer LLP manages investments on a discretionary basis for private clients, trusts, charities and pension funds. As at 30 June 2023, assets managed by the Ruffer Group exceeded £24.6bn.

## Dealing line

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## Enquiries

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