Charity Assets Trust

Positive absolute returns with low volatility for charities

C class March 2023 **Issue 133**

If ever there was a month to dig a little deeper than a cursory glance at the positive returns for both bonds and equities, it was March 2023. We began the month with US Federal Reserve Chairman Jerome Powell reintroducing volatility to the bond market after he noted that the Fed would again consider 50bp rate hikes. This moved bond yields higher for a matter of days before the collapse of Silicon Valley Bank in the US and the rushed acquisition of the long-troubled Credit Suisse by its Swiss counterpart UBS, as investors turned their backs on the weakest of financials. Policymakers have been swift in responding and we have likely survived a moment of acute stress. What has not been solved is the chronic shift of deposits away from bank accounts to higher yielding alternatives and the damaging effect this will pose to financial market liquidity.

The fund's duration assets, through inflation-linked government bonds and gold exposure, delivered positive contributions as yields fell. On the negative side of the ledger, the fund's exposure to commodity assets detracted from performance as uncertainty over the health of the global economy rose. Given the stability of the portfolio through these rapidly shifting sands, we resisted the temptation to make major changes. However, we did increase yen exposure to c 15% to enhance its role as a key protective asset in the portfolio's armoury.

There appears to be a growing dichotomy between the interpretation of recent events by bond and commodity markets compared to equities. The former are more than hinting that economic conditions are soon to deteriorate, whilst the latter is basking in another duration led rally catalysed by the fall in bond yields. We do not believe that both views can be held simultaneously for long. Our issue with the equity market's muscle memory is that given policymaker's battle with persistent inflation, you cannot have falling rates without a recession taking the heat out of the economy. We understand the logic that a lower discount rate makes future cash flows more valuable in the present, but we doubt that future cash flows will be unblemished in a tougher economic backdrop. Given this viewpoint, we continue to operate with a relatively modest exposure to risk assets (c 30% including equities and commodity exposure).

In 2022 investors were fixated on the rate of change of interest rates, however, we do not think financial markets are out of the woods even if policymakers appear to be reaching the final stages of their current rate hiking cycle. We operate in a financial system that has become accustomed to ever lower interest rates over the past four decades. The obvious outcome in such an environment is for leverage to increase – and increase it has. Whilst interest rates might have risen sharply over the last 12 months, the impact is not always felt instantaneously. As Warren Buffett once said, "only when the tide goes out do you learn who has been swimming naked". A repricing of the cost of capital has already taken out the giddiest parts of the market but the longer rates are held at current levels, the further the pain is likely to spread.

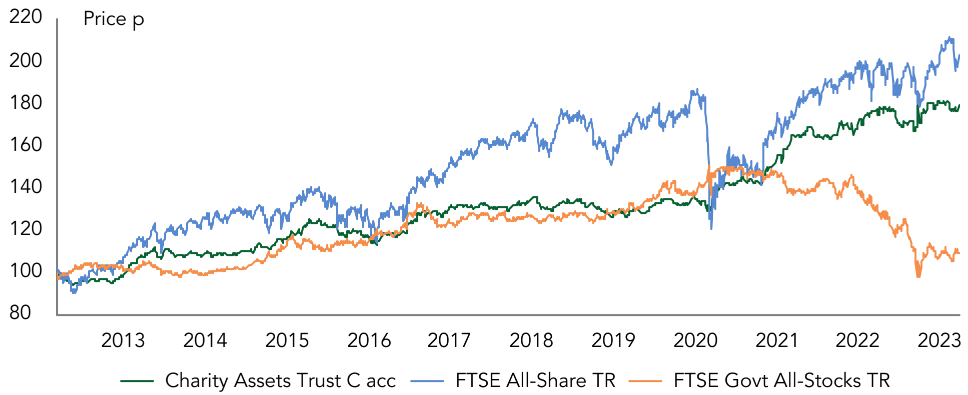
Investment objective

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 %
March 2023	1.3
Year to date	-0.9
1 year	1.0
3 years	32.7
5 years	37.2

Unit price as at 31 March 2023	p
C Accumulation	179.49
C Income	147.72

12 month performance to March %	2019	2020	2021	2022	2023
Charity Assets Trust C acc	-0.8	4.3	21.8	8.0	1.0
FTSE All-Share TR	6.4	-18.5	26.7	13.0	2.9
FTSE Govt All-Stocks TR	3.7	9.9	-5.5	-5.1	-16.3

Source: Ruffer LLP, FTSE International

Charity Assets Trust as at 31 Mar 2023

Asset allocation

Currency allocation

Asset allocation	%
Short-dated bonds	20.9
Illiquid strategies and options	13.2
Index-linked gilts	12.2
Long-dated index-linked gilts	8.1
Gold exposure and gold equities	7.3
Cash	5.4
Non-UK index-linked	4.8
UK equities	8.8
North America equities	4.6
Commodity exposure	4.5
Europe equities	4.2
Asia ex-Japan equities	3.4
Japan equities	1.6
Other equities	0.9

Currency allocation	%
Sterling	64.1
Yen	15.8
Australian dollar	7.6
US dollar	5.2
Euro	1.0
Other	6.3

10 largest equity holdings*

Stock	% of fund
BP	3.9
Taiwan Semiconductor Manufacturing Co	1.4
Shell	1.1
Alibaba Group Holding	0.9
NEC	0.8
Bayer AG	0.6
Swire Pacific	0.6
Volkswagen	0.5
Deutsche Post	0.5
Royal Vopak	0.5

5 largest bond holdings

Stock	% of fund
UK Treasury index-linked 0.125% 2024	4.8
Japanese govt bonds 0.005% 1 Jun 2024	4.5
Japanese govt bonds 0.005% 1 Apr 2024	4.5
Japanese govt bonds 0.005% 1 May 2024	4.5
UK Treasury index-linked 0.125% 2026	4.1

*Excludes holdings in pooled funds

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

Fund size £389.2m

Fund information

		%
Ongoing Charges Figure		1.18
Annual management charge		1.0 + VAT
Maximum initial charge		1.0
Yield		1.54
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
	Accumulation	Income
ISIN	GB00B740TC99	GB00B7F77M57
SEDOL	B740TC9	B7F77M5
Manager and investment adviser		Ruffer AIFM Limited
Trustee		BNY Mellon Fund & Depositary (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 28 February 2023, assets managed by the Ruffer Group exceeded £26.2bn.

Dealing line 0344 892 0906

Enquiries

Ruffer LLP
80 Victoria Street
London SW1E 5JL

Ajay Johal
ajohal@ruffer.co.uk
+44 (0)20 7963 8040
ruffer.co.uk