

# Charity Assets Trust

Positive absolute returns with low volatility for charities

Might discretion be the better part of valour? So far this year it seems not. Taking a cautious view on markets for the first five months of 2023 has proved a painful experience. The fund, with its focus on protection assets, is down by about 6% this year, giving back broadly what we made last year as markets tumbled.

Losing money for clients is always painful, but we have been here before. For more than a quarter of a century now, Ruffer has protected investors from every major market crisis. In order to achieve this, however, we have at times delivered dull or disappointing short-term performance. Losing money in 1999 in the tech bubble, flatlining in the easy markets of 2006-2007 and struggling in the run up to the covid crisis. Strikingly, each of our disappointing periods has come before a sharp decline in stock markets, as we focused portfolios more on protection than growth, albeit often seemingly too early. We have been willing to sit on the sidelines as we wait for the problems we have identified to manifest themselves, even if that means suffering the costs of holding protection with progressively less on the growth side of the ledger as an offset.

We are where we are for a reason. With a 5.25% risk free return available in US money market funds, cash has only been such an attractive alternative to equities twice this century: in 2000, during the tech bubble and in 2007, just before the financial crisis. Neither period ended well for investors, and we fear a similar outcome could be lying in wait for markets now. Even more worrying is what happened after these crises. In both 2000 and 2008 markets were immediately 'medicated' by dramatic interest rate cuts. Today, a similar rescue may be difficult. With inflation more persistent than promised, central bankers would have to choose between monetary stability (fighting inflation) or financial stability (supporting markets). Add into this worrying picture a TMT-like boom concentrated in just a few US stocks (year to date the unweighted S&P 500 is actually down in price terms).

All of this points to an emphasis on protection rather than growth, though as ever we aim for an appropriate balance of 'fear' and 'greed' so as to make time our friend. We are confident our protection assets will more than prove their worth and whilst timing is always difficult, we would always choose being too early over being too late. This year, however, it has more been our focus on commodities for our growth exposure that has failed to offset the costs of holding protection.

For us, this certainly looks like a situation where 'discretion' should still prove to be the better part of 'valour'. Taking a cautious view so far this year has been painful, but we think the evidence suggests caution may win out.

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.



C class May 2023 Issue 135

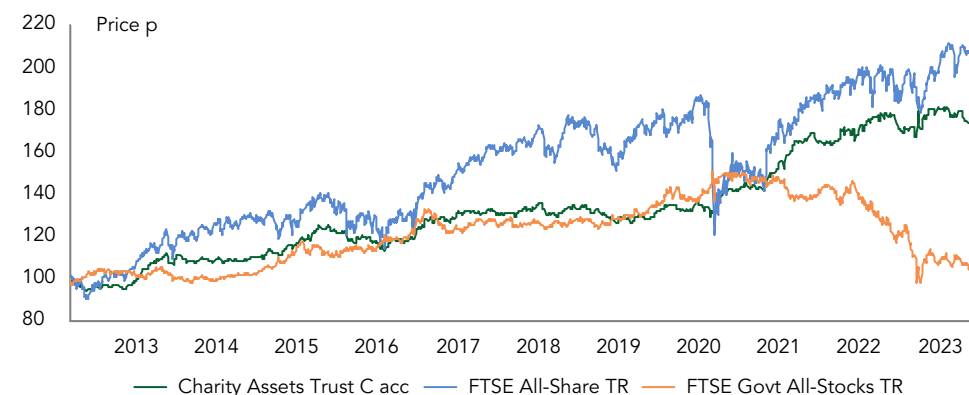
## Investment objective

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



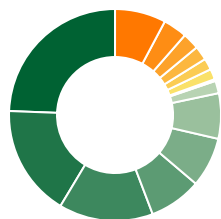
C Accumulation units	Performance %	Unit price as at 31 May 2023				p
May 2023	-3.1	<b>C Accumulation</b>				<b>170.10</b>
Year to date	-6.0	<b>C Income</b>				<b>139.39</b>
1 year	-3.7					
3 years	19.2					
5 years	27.1					

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 May 2023

## Asset allocation



## Currency allocation



## Asset allocation %

Short-dated bonds	24.3
Index-linked gilts	17.1
Illiquid strategies and options	14.4
Long-dated index-linked gilts	8.0
Non-UK index-linked	7.6
Gold exposure and gold equities	7.1
Cash	1.8

UK equities	7.7
Commodity exposure	3.7
North America equities	2.7
Asia ex-Japan equities	2.2
Europe equities	1.7
Japan equities	1.5
Other equities	0.3

## Currency allocation %

Sterling	56.2
Yen	18.1
US dollar	11.8
Australian dollar	8.0
Euro	0.2
Other	5.7

## 10 largest equity holdings\*

Stock	% of fund
BP	4.4
Taiwan Semiconductor Manufacturing Co	0.8
NEC	0.7
Alibaba Group Holding	0.6
Gresham House Energy Storage Fund	0.5
Agnico Eagle Mines	0.5
Swire Pacific	0.5
Harmony Energy	0.4
PRS REIT plc	0.4
Fuji Electric	0.4

## 5 largest bond holdings

Stock	% of fund
UK Treasury index-linked 2.5% 2024	8.6
Japanese govt bonds 0.005% 1 Apr 2024	4.8
Japanese govt bonds 0.005% 1 May 2024	4.8
UK Treasury index-linked 0.125% 2026	4.8
Japanese govt bonds 0.005% 1 Jun 2024	4.6

\*Excludes holdings in Ruffer funds

Source: Ruffer LLP.

Pie chart totals may not equal 100 due to rounding.

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Fund size **£510.5m**

## Fund information

Ongoing Charges Figure	1.18
Annual management charge	1.0 + VAT
Maximum initial charge	1.0
Yield	1.75
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	Income
ISIN	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 April 2023, assets managed by the Ruffer Group exceeded £26.0bn.

## 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