Charity Assets Trust

Positive absolute returns with low volatility for charities

During September, the fund price rose by 1.0%. This compared with a fall of 1.0% in the FTSE All-Share index and a fall of 3.7% in the FTSE Govt All Stocks index (all figures total returns in sterling).

'Transitory' or not, price rises (aka inflation) are certainly starting to have an impact on both financial markets and everyday life. Amidst pictures of queues at petrol stations reminiscent of the 1970s and global concerns over possible shortages and supply chain disruption ahead of the key holiday season, both stock and bond markets lost some of their lustre in September. Bond yields rose as inflation concerns led to talk of tapering and earlier than expected interest rate rises, though this remains just talk for now. Meanwhile equities, especially growth and technology stocks, fell back, with the Nasdaq down 5.3% in the month, dragging down the broader US market by 4.7%.

Although some of the price rises this month were eye-watering, with the oil price up almost 10% (and now +50% so far this year) and natural gas prices in Europe and the UK rising by over 90%, inflation worries were not the only concern for equity markets in September. The likely demise of Chinese property developer Evergrande, said to have over $330bn of debt and a market value at the month end of only $7bn, down 80% so far this year, added contagion risks to previous fears of a clampdown by the Chinese government.

Against this somewhat unsettling background, the fund's performance remained robust in September, delivering a small gain even as broader bond and equity markets fell back. Higher bond yields hurt our index-linked bonds during the month, though once again, as happened in Q1 earlier this year, we held interest rate options that offset much of the fall. On the equity side, rising yields were supportive for the financials held in the portfolio and, unsurprisingly, energy stocks performed strongly, with each up 15-20% over the month.

What does all this tell us about markets going forward? No doubt investors will be laser-focused on both inflation and the outlook for China. Hint, a clue to the future for both might be gleaned from the Chinese government's edict last week to secure energy supplies 'at all costs'. However, for us the key takeaway from September is that 'balanced' portfolios had their worst month since March 2020, when global markets first felt the full brunt of the covid-19 pandemic. Back then, the 60% equity and 40% conventional bond mix that has been so popular and so successful in recent years fell 5% in a month; this time the US version fell 3.5%. Small change perhaps after gains averaging 10% for a decade, but a worrying sign nonetheless.

We have long warned that higher inflation, or even just inflation volatility, could see a shift in the correlation between equities and bonds. This would be a reversion to the normal pattern predating the decades of disinflation and falling interest rates experienced since the 1980s. If so, portfolios would no longer be able to rely on rising bond prices (via falling interest rates) to soften the pain of equity market falls. In fact, the opposite could be true with falling bond prices exacerbating future equity market sell-offs. Ruffer portfolios hold inflation-linked bonds and other less conventional protections to guard against exactly such a situation. Last month, at least, this approach worked. We will wait to see if this too was just transitory.

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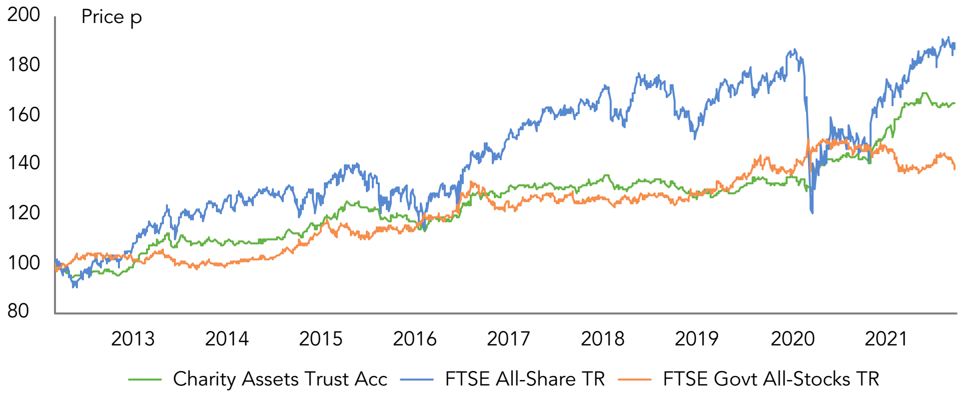
Investment objective

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.

Responsible Investment Policy

The fund has strict restrictions on investment in alcohol, armaments, gambling, pornography, 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



Accumulation units	Performance %
September 2021	1.0
Year to date	9.1
1 year	15.8
3 years	23.9
5 years	29.2

Unit price as at 30 September 2021	p
Accumulation	**165.55**
Income	**139.41**

12 month performance to September %	2017	2018	2019	2020	2021
Charity Assets Trust Acc	1.7	2.6	0.3	6.7	15.8
FTSE All-Share TR	11.9	5.9	2.7	-16.6	27.9
FTSE Govt All-Stocks TR	-3.6	0.6	13.4	3.4	-6.8

Source: Ruffer LLP, FTSE International (FTSE) †

Charity Assets Trust as at 30 Sep 2021

Asset allocation

Currency allocation

Asset allocation	%
Index-linked gilts	14.4
Non-UK index-linked	10.8
Long-dated index-linked gilts	10.7
Illiquid strategies and options	7.7
Cash	6.0
Gold and gold equities	4.0
Short-dated bonds	3.4
UK equities	20.5
Europe equities	7.2
North America equities	7.2
Japan equities	6.9
Other equities	1.3

Currency allocation	%
Sterling	84.8
Gold	4.0
Yen	3.7
US dollar	1.1
Euro	1.1
Other	5.3

10 largest equity holdings*

Stock	% of fund
Equinor	2.8
NatWest Group	2.7
BP	2.6
Lloyds Banking Group	2.5
Royal Dutch Shell	2.5
Countryside Properties	1.8
Barclays	1.3
ORIX Corporation	1.2
American Express	1.1
Cigna	1.1

5 largest bond holdings

Stock	% of fund
0.125% Treasury index-linked 2024	5.6
US Treasury 0.625% TIPS 2023	5.1
UK Treasury index-linked 0.125% 2065	4.7
UK Treasury index-linked 1.875% 2022	4.3
US Treasury 0.125% TIPS 2022	3.6

*Excludes holdings in pooled funds

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

Fund size £161.3m

Fund information

		%
Ongoing Charges Figure		1.06
Annual management charge		1.0 + VAT
Maximum initial charge		1.0
Yield		1.25
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		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) Ltd
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 Managers

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.

Jenny Renton

INVESTMENT DIRECTOR

Joined Ruffer in 2013. After reading politics at Newcastle University, she worked with oil and gas companies on their corporate and financial strategies before joining the fund team at Ingenious Investments. She is a CFA charterholder.

Ajay Johal

INVESTMENT MANAGER

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 31 August 2021, assets managed by the Ruffer Group exceeded £22.9bn.

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