

Charity Assets Trust

Positive absolute returns with low volatility for charities

During December, the fund price rose by 0.1%. This compared with a rise of 4.7% in the FTSE All-Share Index and a decrease of 2.7% in the FTSE Govt All Stocks Index (all figures total returns in sterling). This rounded off a solid year for the fund (+11.0%) and consolidated the gains made in the previous two years with the three-year annualised return now running at 10.1%.

December began in the aftermath of the sell-off in reopening-sensitive assets, such as energy and cyclical. The sharp decline in bond yields seen at the end of November continued into early December, as the discovery of the new Omicron variant threatened the vaccine-led economic recovery globally. We took advantage of this sell-off to reinforce core equity positions in energy, financials and industrials.

Overall, equities contributed 2.2% to the monthly return (with financials being the largest contributor) as evidence grew that Omicron might be less dangerous than first thought. Derivative protection (-0.4%) was a drag, as successes with equity put options were outweighed by a fall in credit spreads. Equity put options are held to protect against a withdrawal of liquidity by the Federal Reserve, and credit protection for weakness in the real economy.

Inflation-linked bonds detracted 1.7% from the monthly return as bond yields rose and inflation expectations did not. This is a dynamic that may persist in 2022 as economic strength continues and central banks begin to tighten. As a result, we reduced portfolio duration significantly, to nearly zero by the month end, using interest rate options.

At the same time, we retain our high conviction in both financial and energy equities. For financials, many investors cannot contemplate buying them and this is providing some spectacular prospective return opportunities. UniCredit's decision (and ability) to return 50% of its market cap to shareholders within the next three years shows just how undervalued they are. Rising real yields, which hurt index-linked bonds (which we own) and highly valued growth and tech stocks (which we do not own), should be accompanied by rising earnings for financial stocks. The picture for energy stocks is similar. There is something of a catch-22 in energy markets: energy demand continues to rise even as the world navigates the path to net zero, but there is a lack of investment in reliable supply, even though it is crucial to the net zero solution. This leaves higher energy prices the likely outcome and cheap valuations the entry point. We continue to focus on engaging with these companies to help and encourage them on the energy transition journey. The average energy stock in the fund returned 40% in 2021 and the average financial stock returned 35%.

We enter 2022 satisfied with how our all-weather investment strategy has fared through the wide range of investment conditions in the last three years. However, for all investors, things are likely to get more rather than less difficult from here. In order to protect and grow their savings, investors will need to focus on risk rather than return and adopt a multi-asset approach containing genuinely uncorrelated assets.

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.



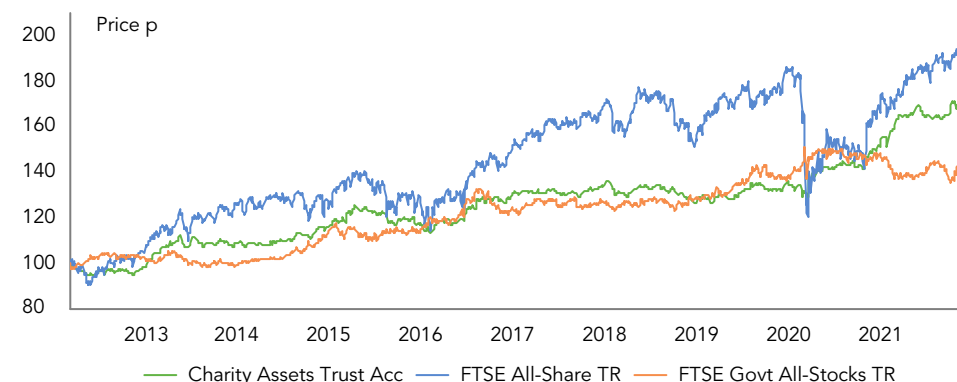
Investment objective

The fund 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 %	Unit price as at 31 December 2021	p
December 2021	0.1	Accumulation	168.50
Year to date	11.0	Income	141.32
1 year	11.0		
3 years	33.2		
5 years	29.5		

12 month performance to December %	2017	2018	2019	2020	2021
Charity Assets Trust Acc	3.0	-5.6	7.3	11.9	11.0
FTSE All-Share TR	13.1	-9.5	19.2	-9.8	18.3
FTSE Govt All-Stocks TR	1.8	0.6	6.9	8.3	-5.2

Source: Ruffer LLP, FTSE International (FTSE) †

Charity Assets Trust as at 31 Dec 2021

Asset allocation



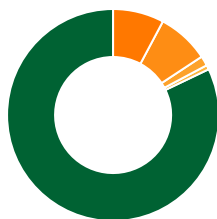
Asset allocation %

Long-dated index-linked gilts	13.4
Index-linked gilts	12.8
Non-UK index-linked	12.6
Illiquid strategies and options	7.1
Gold exposure and gold equities	7.1
Cash	4.3
Short-dated bonds	3.1
UK equities	17.1
North America equities	8.1
Europe equities	6.6
Japan equities	6.5
Other equities	1.3

Currency allocation %

Sterling	82.3
Yen	7.9
Euro	1.4
US dollar	0.6
Other	7.8

Currency allocation



10 largest equity holdings*

Stock	% of fund
BP	2.1
Royal Dutch Shell	1.9
Equinor	1.9
NatWest Group	1.8
Lloyds Banking Group	1.7
Countryside Properties	1.3
Banco Santander	1.3
ORIX Corporation	1.2
Cigna	1.2
Barclays	1.0

5 largest bond holdings

Stock	% of fund
UK Treasury index-linked 0.125% 2024	5.5
US Treasury 0.625% TIPS 2023	4.9
UK Treasury index-linked 0.125% 2065	3.9
UK Treasury index-linked 0.375% 2062	3.7
UK Treasury index-linked 0.125% 2068	3.5

*Excludes holdings in pooled funds

Source: Ruffer LLP.

Pie chart totals may not equal 100 due to rounding.

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Fund size **£167.8m**

Fund information

	%
Ongoing Charges Figure	1.06
Annual management charge	1.0 + VAT
Maximum initial charge	1.0
Yield	1.35
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
ISIN	Accumulation GB00B740TC99 Income 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

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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 30 November 2021, assets managed by the Ruffer Group exceeded £23.7bn.

Dealing line

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