Charity Assets Trust

Positive absolute returns with low volatility for charities

C class September 2023 **Issue 139**

There was a growing sense through September that a combination of US economic resilience and higher oil prices would force the US Fed to keep interest rates higher for longer. The latest 'dot plot' of Federal Open Markets Committee board members' expectations for interest rates over the coming few years, which the Fed uses to influence the market's expectations of the level and path of future interest rates, seemed to confirm as much – suggesting for the first time that rates would stay above 5% for all of 2024. A persistently strong economy with a persistent inflation problem demands persistently high interest rates. Equity and bond markets had already started to roll over in anticipation, but the release of the dot plot on 20 September encouraged them both lower into month end.

That the fund largely sidestepped these falls was thanks to the large allocation to very short-dated UK and US government bonds, which carried positively even as longer-term interest rates rose. The fund's position in oil and energy and related equities also made a positive contribution, benefitting from supply-side discipline from both OPEC and marginal US producers. It is our view recession risks are building, and oil will not be immune once the market downgrades demand expectations, so we took some profits.

On the other side of the ledger, the fund's longer dated bond holdings, in US (TIPS) and UK inflation-linked bonds, were the biggest detractors from performance. Towards the end of the month, we decided to take advantage of these falls to add to US TIPS, allocating 5% of the fund's capital to ten year bonds offering real yields of nearly 2.3%. This was partly funded by a sale of the small remainder of the fund's gold bullion exposure. The latter has remained remarkably resilient in the face of persistently high US real rates, giving us an opportunity to switch the exposure into TIPS at what we deem very good relative value.

We also took advantage of the spurt of US dollar strength in September to reduce US dollar exposure in favour of further bolstering our yen position, which now makes up c20% of the fund. We continue to expect the yen to be one of the assets at the epicentre of an unwind of trades that have proved popular this year but that we deem unsustainable.

On the flip side of US dollar strength was sterling weakness, which also allowed us to exit the position in Australian government bonds on favourable terms. We remain cautious on sterling, but it has fallen hard and fast over the last couple of months and we don't want a temporary reversal to hold back performance.

A darkening economic reality, combined with tight monetary policy in the UK and US and incrementally restrictive policy from the Bank of Japan, we think will ultimately cause a great, and quite possibly sudden, reversal of the market moves over the first eight months of 2023. When it comes, this should benefit the fund's biggest positions, in UK and US inflation-linked bonds, and the yen. We may well look back on September 2023 as a turning point.

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.

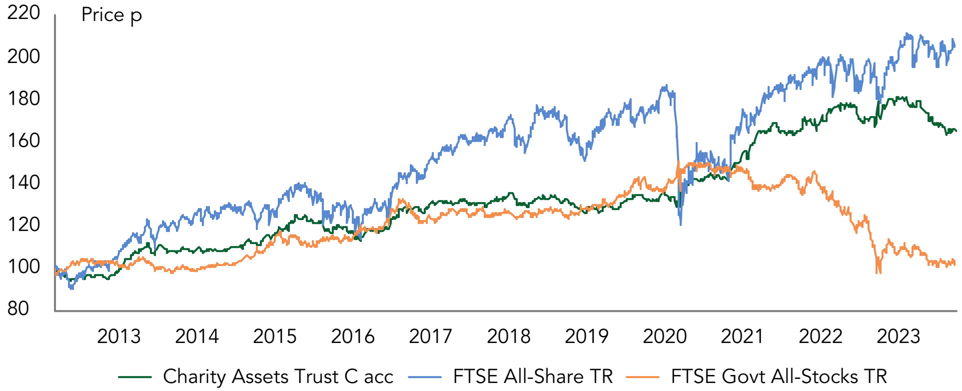
Investment objective

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 %
September 2023	-0.7
Year to date	-8.8
1 year	-7.9
3 years	15.3
5 years	23.4

Unit price as at 29 September 2023	p
C accumulation	**165.02**
C income	**134.54**

12 month performance to September %	2019	2020	2021	2022	2023
Charity Assets Trust C acc	0.3	6.7	15.8	8.2	-7.9
FTSE All-Share TR	2.7	-16.6	27.9	-4.0	13.8
FTSE Govt All-Stocks TR	13.4	3.4	-6.8	-23.3	-2.5

Source: Ruffer LLP, FTSE International

Charity Assets Trust as at 29 Sep 2023

Asset allocation

Currency allocation

Asset allocation	%
Short-dated bonds	31.7
Illiquid strategies and options	13.5
Cash	11.9
Non-UK index-linked	11.0
Long-dated index-linked gilts	7.3
Index-linked gilts	4.9
Gold exposure and gold equities	3.3
UK equities	6.6
North America equities	3.1
Asia ex-Japan equities	2.5
Europe equities	2.2
Commodity exposure	1.8
Other equities	0.3

Currency allocation	%
Sterling	60.6
Yen	19.5
US dollar	14.2
Australian dollar	0.6
Euro	0.3
Other	4.8

10 largest equity holdings*

Stock	% of fund
BP	3.2
Alibaba Group Holding	0.8
Taiwan Semiconductor Manufacturing Co	0.7
Alibaba Group ADR	0.5
Harmony Energy	0.5
Swire Pacific	0.5
Schroder BSC Social Impact Trust	0.5
Agnico Eagle Mines	0.4
Gresham House Energy Storage Fund	0.4
PRS REIT plc	0.4

5 largest bond holdings

Stock	% of fund
UK Treasury 0.125% 2024	5.0
UK Treasury index-linked 0.125% 2026	4.9
Japanese govt bonds 0.005% 1 Apr 2024	4.6
Japanese govt bonds 0.005% 1 May 2024	4.6
Japanese govt bonds 0.005% 1 Jun 2024	4.4

*Excludes holdings in Ruffer funds

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

Fund size £510.2m

Fund information

		%
Ongoing Charges Figure		1.14
Annual management charge		1.0 + VAT
Maximum initial charge		1.0
Yield		1.9
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 31 August 2023, assets managed by the Ruffer Group exceeded £24.2bn.

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