

# Charity Assets Trust

Positive absolute returns with low volatility for charities

During August, the fund price remained flat. This compares with a rise of 2.4% in the FTSE All-Share index and a fall of 3.1% in the FTSE Government All-Stocks Index (both figures are total return in sterling).

The month saw the fund's economically sensitive equities offset slight falls in the inflation-linked bonds and gold. In early August we took some profits in the longer dated US TIPS and gold equities bought in March, acknowledging that their strong performance and the potential for more positive news might cause a pullback. Long term, our conviction remains that financial repression (ie interest rates being kept below the rate of inflation) will be a key part of the investment landscape. If this is correct, then it will have widespread investment ramifications. History shows us that equities, most bonds and cash are poor investments in times of sharply rising inflation, but assets such as inflation-linked bonds and gold should do well. Let's visit the various parts of the inflation jigsaw to examine what has changed since the onset of covid-19.

Supply side – the combination of disrupted supply chains and additional costs will drive prices higher. In many sectors fragmented supply chains have not recovered, bottlenecks remain and there are additional costs to protect employees and customers. The 'just in time' business model will be replaced with a 'just in case' model with greater emphasis on controlling production (ie bringing it in-house). Similarly, balance sheets will adjust with an increase in cash and rainy-day reserves to weather future crises. All of these things are negative for profitability unless prices are increased.

Monetary/fiscal policy – money supply has exploded since March, reflecting combined monetary-fiscal policy support unprecedented in scale, speed and breadth. At the same time, control of the economy's steering wheel is unquestionably passing from central banks to governments. The conundrum for politicians is that reducing stimulus is not good for re-election prospects.

Past peak globalisation – before covid-19 the deflationary force of globalisation was already in retreat; this move has since accelerated. Trade protectionism will increase and offshoring to tap into cheap labour will become much harder. The trade war between the US and China is clear evidence of this and so is the talk of 'pay to stay' schemes in the US and Japan to encourage companies to move production back home.

Socio-political – before this year's events the need for the western world to inflate away its debt burden was desirable for reasons of demographics and wealth distribution. Now it is essential if the financial support provided during the crisis is to be remotely affordable. It is also unlikely that interest rates could rise meaningfully to counter inflationary pressures without damaging the debt-dependent economic recovery.

These changes all make it likely that we are entering a new economic regime, which will be one where financial repression and negative real interest rates will be the norm. Our job is to hold assets that will protect and grow our investors' capital through this period and in the aftermath. The roadmap of the last 40 years is unlikely to work; we believe index-linked bonds and gold will be key assets to hold, along with the right mix of equities and credit protection.

Please note that the Charity Assets Trust is an unregulated collective investment scheme (UCIS) available only to eligible charities as defined overleaf.



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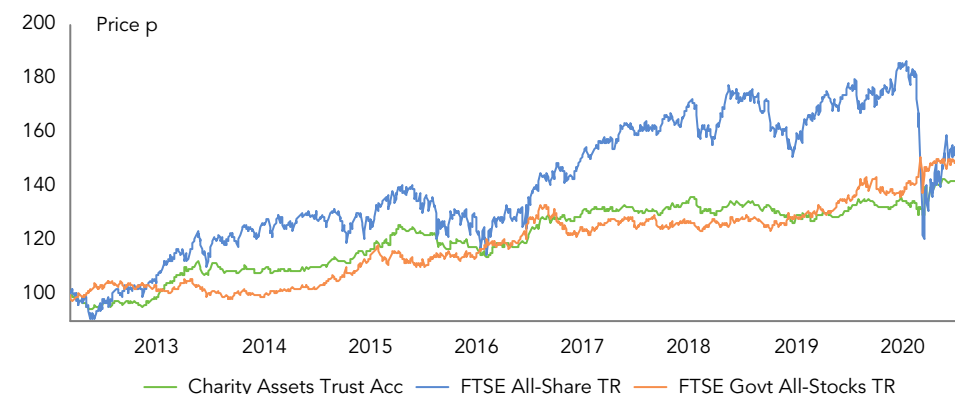
## Investment objective

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



Performance %	August 2020	Year to date	1 year	3 years	5 years
Accumulation units	0.0	5.7	6.4	8.8	20.2

Percentage growth	%	Unit price as at 28 August 2020	p
30 Jun 2019 – 30 Jun 2020	8.7	Accumulation	143.36
30 Jun 2018 – 30 Jun 2019	-1.8	Income	122.31
30 Jun 2017 – 30 Jun 2018	1.9		
30 Jun 2016 – 30 Jun 2017	6.9		
30 Jun 2015 – 30 Jun 2016	-0.3		

Source: Ruffer LLP, FTSE International (FTSE) †

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.

# Charity Assets Trust as at 28 Aug 2020

## Asset allocation



### Asset allocation %

Cash	17.0
Non-UK index-linked	16.5
Illiquid strategies and options	11.5
Gold and gold equities	11.4
Long-dated index-linked gilts	10.2
Index-linked gilts	4.3
Japan equities	7.9
UK equities	7.8
North America equities	6.7
Europe equities	5.6
Asia ex-Japan equities	1.0

### Currency allocation %

Sterling	76.5
Gold	11.2
US dollar	6.3
Yen	1.9
Euro	0.9
Other	3.2

## Currency allocation



## 10 largest equity holdings\*

Stock	% of fund
iShares Physical Gold	3.9
Newmont Mining	2.4
Kinross Gold	2.1
Equinor	1.6
ArcelorMittal	1.6
Countryside Properties	1.5
Sony	1.5
Wheaton Precious Metals	1.4
NatWest Group	1.3
General Motors	1.2

## 5 largest bond holdings

Stock	% of fund
UK Treasury index-linked 1.875% 2022	4.3
UK Treasury index-linked 0.5% 2050	3.9
UK Treasury index-linked 0.125% 2068	3.2
US Treasury 1.75% TIPS 2028	3.1
US Treasury 0.875% TIPS 2029	2.8

\*Excludes holdings in pooled funds

Source: Ruffer LLP.

Pie chart totals may not equal 100 due to rounding.

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The information contained in this document does not constitute investment advice and should not be used as the basis of any investment decision. References to specific securities are included for the purposes of illustration only and should not be construed as a recommendation to buy or sell these securities. Ruffer LLP has not considered the suitability of this fund against any specific investor's needs and/or risk tolerance. If you are in any doubt, please speak to your financial adviser.

The fund data displayed is designed only to provide summary information and the report does not explain the risks involved in investing in the fund. Any decision to invest must be based solely on the information contained in the Prospectus, Key Investor Information Document and the latest report and accounts.

Fund size **£114.3m**

## Fund information

	%
Ongoing Charges Figure	1.15
Annual management charge	1.0 + VAT
Maximum initial charge	1.0
Yield	1.55
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 & 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 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.



## Ruffer LLP

Ruffer LLP manages investments on a discretionary basis for private clients, trusts, charities and pension funds. As at 31 July 2020, assets managed by the Ruffer Group exceeded £20.4bn.

## Dealing line

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