

Charity Assets Trust

Positive absolute returns with low volatility for charities

During October, the fund price rose by 1.6%. This compared with a rise of 1.7% in the FTSE All-Share index and a rise of 2.1% in the FTSE Govt All Stocks index (all figures total returns in sterling).

The last two months represent a good outcome for performance – we held our own in September as equity and bond markets fell in tandem, and then captured the bounce in October. Performance in October was driven by inflation-focused assets – particularly gold, energy companies and inflation-linked bonds.

The policy landscape is shifting. In the last week of October, there was a whiff of panic amongst fixed income investors. Short yields rose sharply as fears mounted that central bankers are behind the curve in tackling inflation. This led to some extraordinary moves. The Reserve Bank of Australia was forced to abandon its policy of yield curve control and the Bank of Canada stopped its quantitative easing programme. The Bank of England now seems likely to raise rates, the Fed has dropped the word ‘transitory’ from its narrative and is likely to taper its \$120bn monthly asset purchase scheme. Until recently, the sure message was that inflation would wash out and no action was required.

In other markets, there is broad insouciance on inflation and, while inflation assets have performed well, so has almost everything else. According to the Bank of America Investor Survey, a record number of portfolio managers are bearish on bonds, but the volume of renewables and infrastructure issuance would suggest they still love bond proxies. The gold price is down 5% year to date, the US 10-year yield is still only at 1.5% and the S&P 500 is trading at a 21x P/E multiple. This all suggests that markets are comfortable with inflation reverting lower relatively soon.

While Central Bank credibility is being threatened at the short end, perversely it seems that it is strengthening at the long end of the yield curve. The expectation of near-term tightening is anchoring longer-term inflation expectations and long-term bond yields. Essentially, the market is saying that despite lower credibility on their recent actions, Central Banks have the willpower and means to tame inflation. This emphasises the power and complacency of the belief in central bank omnipotence and underscores just how shocking it might be were that to change. Citigroup strategist Matt King summarised: ‘Expect tantrums in risk [assets] if central banks respond to inflation – and tantrums in bonds if they don’t.’ Monetary policy setters are firmly wedged between a rock and a hard place.

While we expect inflation and real rate volatility to increase, it will not be a straightforward journey. This will necessitate a nimble portfolio. To use one example, interest rate options have allowed us to manage the fund’s duration this year – making money in bonds even as yields were rising. This flexibility will be useful going forwards.

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.



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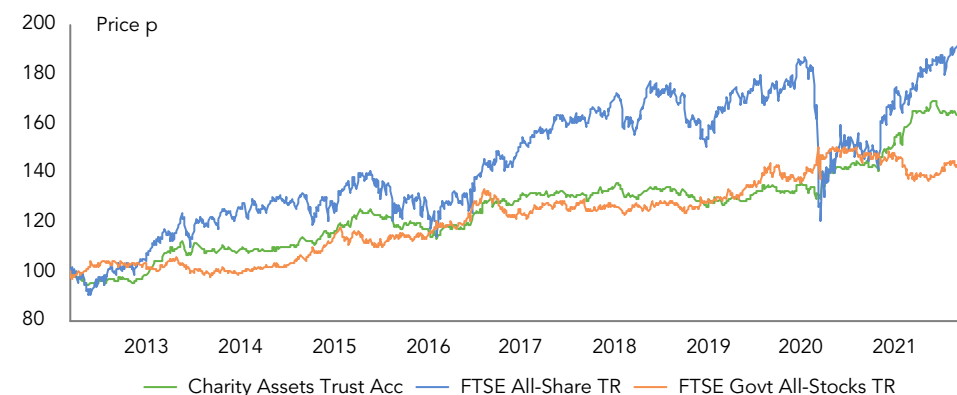
Investment objective

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 %	Unit price as at 29 October 2021	p
October 2021	1.6	Accumulation	168.21
Year to date	10.8	Income	141.07
1 year	18.9		
3 years	28.2		
5 years	29.9		

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 29 Oct 2021

Asset allocation



Asset allocation %

Index-linked gilts	13.2
Non-UK index-linked	12.9
Long-dated index-linked gilts	12.6
Illiquid strategies and options	7.5
Cash	4.4
Gold and gold equities	4.2
Short-dated bonds	3.2
UK equities	20.0
North America equities	7.1
Japan equities	6.9
Europe equities	6.7
Other equities	1.2

Currency allocation

Sterling	84.9
Gold	4.2
Yen	3.1
US dollar	1.6
Euro	1.6
Other	4.6

Currency allocation



10 largest equity holdings*

Stock	% of fund
Lloyds Banking Group	2.7
NatWest Group	2.6
BP	2.3
Royal Dutch Shell	2.2
Equinor	2.2
Countryside Properties	1.6
Barclays	1.4
ORIX Corporation	1.2
Cigna	1.1
Kinross Gold	1.1

5 largest bond holdings

Stock	% of fund
UK Treasury index-linked 0.125% 2024	5.6
UK Treasury index-linked 0.125% 2065	5.0
US Treasury 0.625% TIPS 2023	5.0
UK Treasury index-linked 0.375% 2062	3.9
UK Treasury index-linked 0.125% 2068	3.7

*Excludes holdings in pooled funds

Source: Ruffer LLP.

Pie chart totals may not equal 100 due to rounding.

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Fund size **£161.8m**

Fund information

	%
Ongoing Charges Figure	1.06
Annual management charge	1.0 + VAT
Maximum initial charge	1.0
Yield	1.23
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 30 September 2021, assets managed by the Ruffer Group exceeded £23.2bn.

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