Charity Assets Trust

Positive absolute returns with low volatility for charities

During December the fund was up 0.5%. This compared to the FTSE All-Share TR which fell by 1.4% and a fall of 4.1% in the FTSE Govt All Stocks Index (all figures total returns in sterling).

A new year, a new beginning. Many investors may find themselves limping into 2023 with a growing sense of crisis fatigue from the last few years. Contrastingly, we find ourselves rather energised as events are broadly sweeping in the direction we have spent years preparing for.

At the moment, a benign market outcome in 2023 depends on an almost impossible trinity: a short and shallow recession, a rapid decline in inflation and an aggressive Fed pivot. Not impossible, but would you bet on it? Why would inflationary pressures, so broad-based as we enter 2023, suddenly dissipate? And even if they do, won't that be because a recession has driven unemployment up? How quickly can a Fed, so concerned about letting the inflation genie out of the bottle, realistically reverse course? If the real economy is deteriorating fast enough that inflation will drop like a stone, then why wouldn't investors also price in significant downside to corporate earnings? We don't have reasonable answers to these questions, but we do have a plan.

In the near term, we are somewhat positioned for a disinflationary lurch on the inflationary journey, bond yields coming down and a bumpy recessionary landing. We are waiting for the opportune moment to pivot towards a portfolio positioned for higher nominal growth alongside inflation and financial repression – but it's not yet. So there is a degree of what appears to be cognitive dissonance in our portfolio construction, because the portfolio we believe you want for the coming six to nine months is almost entirely different from the strategic portfolio you might want to navigate the coming decade. The risk is we are trying too hard; the danger is, by not trying to navigate through choppy markets, investors could get hurt.

We go into the year prepared for an uncomfortable ride. The first half of the year could instead be about an unusually durable US economy, sticky inflation, and a higher peak in interest rates. Alternatively, the market may be saved from further hawkishness but only because the recession happens earlier, and at greater speed. Neither has a happy ending for investors.

The setup points to significant volatility as market participants grapple with narrative swings and shifting financial conditions. We recognise we will need to trade actively to preserve capital in these choppy waters and are ready to change our views as circumstances change. For now, equities remain at their lowest level in our history – 13% gross and around zero net of option protection – though in December we roughly doubled the portfolio's position in BP and have rebuilt gold exposure above 4%.

These periods are processes, not events. Asset markets are down, investors are impatient to buy the dip and return to money-making. These things take time: there were six months between Northern Rock and Bear Stearns and a further six months before Lehman Brothers. Patience and preparation are our watchwords and, in the meantime, for the first time in 14 years, you are starting to be paid a decent return to wait.

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.

RUFFER

C class December 2022 **Issue 130**

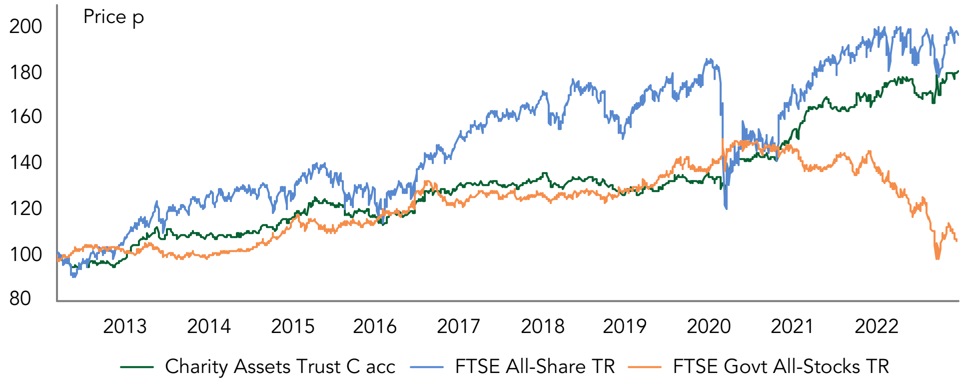
Investment objective

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, 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 %
December 2022	0.5
Year to date	7.4
1 year	7.4
3 years	33.4
5 years	35.1

Unit price as at 30 December 2022	p
C Accumulation	**181.03**
C Income	**149.67**

12 month performance to December %	2018	2019	2020	2021	2022
Charity Assets Trust C acc	-5.6	7.3	11.9	11.0	7.4
FTSE All-Share TR	-9.5	19.2	-9.8	18.3	0.3
FTSE Govt All-Stocks TR	0.6	6.9	8.3	-5.2	-23.8

Source: Ruffer LLP, FTSE International

Charity Assets Trust as at 30 Dec 2022

Asset allocation

Currency allocation

Asset allocation	%
Short-dated bonds	36.1
Illiquid strategies and options	19.4
Index-linked gilts	12.4
Long-dated index-linked gilts	5.9
Non-UK index-linked	5.8
Gold exposure and gold equities	4.4
Cash	2.8
UK equities	6.6
North America equities	2.1
Europe equities	2.1
Japan equities	1.5
Other equities	0.8

Currency allocation	%
Sterling	61.1
US dollar	14.1
Yen	12.5
Australian dollar	8.0
Euro	1.5
Other	2.8

10 largest equity holdings*

Stock	% of fund
BP	3.3
NEC	0.7
Royal Vopak	0.7
Harmony Energy	0.5
PRS REIT plc	0.5
Fuji Electric	0.4
Unilever	0.4
Rohm	0.4
Associated British Foods	0.4
Schroder BSC Social Impact Trust	0.4

5 largest bond holdings

Stock	% of fund
UK Treasury index-linked 0.125% 2024	7.1
US Treasury FRN 31 Oct 2023	6.2
US Treasury FRN 31 Jan 2024	6.2
US Treasury FRN 31 Oct 2024	6.2
UK Treasury index-linked 2.5% 2024	3.9

*Excludes holdings in pooled funds

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

Fund size £293m

Fund information

	%
Ongoing Charges Figure	1.18
Annual management charge	1.0 + VAT
Maximum initial charge	1.0
Yield	1.36
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 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 2022, assets managed by the Ruffer Group exceeded £26.1bn.

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