

# Strategic overview – November 2021

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If you are a private investor, you should not act or rely on this document but should contact your professional advisor.



# Your investment universe

When constructing portfolios we consider a very wide range of asset classes, as allowed by the Trustee Act:

## CORE ASSET CATEGORIES

- Cash
  - Government bonds
  - Corporate bonds
  - Inflation-linked bonds
  - UK equities
  - Global equities
  - UK property
- + *currency hedging*

## PERIPHERAL ASSET CATEGORIES

- Global property
  - Private equity
  - Hedge funds
  - Commodities
  - Infrastructure
  - High yield bonds
- + *derivatives for EPM*

Wherever possible, in-house expertise is utilised to maximise appropriateness, oversight and control, and to minimise cost. Third party funds are used sparingly to gain specialist exposure to esoteric asset classes.

# Strategic asset allocation considerations

	SHORT-TERM RESERVES	MEDIUM-TERM RESERVES	LONG-TERM RESERVES
Time frame	0 – 18m	18m – 5yrs	5yrs +
Investment objective	To improve on the returns from cash	A return that at least matches inflation	To maintain the real value whilst providing sufficient income
Greatest risk	The impact of <u>any</u> volatility	The impact of <u>some</u> volatility	The impact of <u>inflation</u>
Implementation	Cash, certificates of deposit and short dated government bonds	<b>Reserves Strategy</b> Predominantly bonds with some risk assets	<b>Endowments &amp; Growth Strategies</b> Predominantly real assets with some defensive assets

# The Sarasin charity funds today



## Fund sizes (£m)

Portfolio Name	Launch Dec 2005	2007	2009	2011	2013	2015	2017	2019	2020	2021
Growth Fund	-	-	-	-	-	-	-	-	-	57
Endowments Fund	40	313	420	826	1,186	1,351	1,742	1,695	1,808	2,230
Climate Active Endowments Fund	-	-	-	-	-	-	-	229	325	468
Income & Reserves Fund	0	44	30	40	65	102	153	152	173	162
Diversified Endowments Fund (€)	-	-	-	10	22	31	50	66	77	66
<b>Combined Total (£m)</b>	<b>40</b>	<b>356</b>	<b>450</b>	<b>876</b>	<b>1,273</b>	<b>1,485</b>	<b>1,945</b>	<b>2,142</b>	<b>2,382</b>	<b>2,982</b>

- The five funds continue to attract new unit holders
- August 2021: launch of Growth CAIF
- About a third of Sarasin & Partners' overall charity AuM

Source: Sarasin & Partners, 30.09.21

# Underlying investors



## Unit holder profile

### Largest £101.4m

- 31 charities over £20m
- 55 charities between £10m and £20m
- 63 charities between £5m and £10m
- 149 charities between £1m and £5m
- 97 charities with less than £1m

395 unit holders

Average portfolio £7.4m

Largest £101m

Source: Sarasin & Partners, 30.09.21

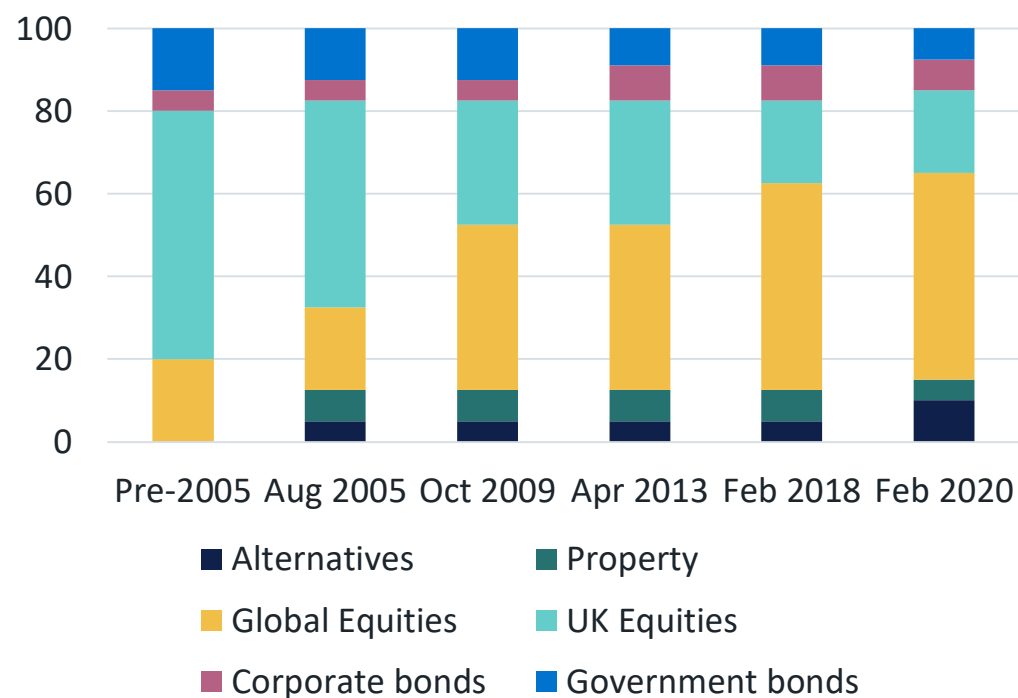


# Sarasin Endowments Fund

How the strategic allocation has evolved



## Strategic Allocation



Source: Sarasin & Partners, 30.09.21



## Evolution of the Sarasin Endowments benchmark

### Compound Total Returns: launch to 30 September 2021

Portfolio Name	launch to 30 September 2021
Sarasin Endowments	7.7
Sarasin Endowments original	7.1
ARC Steady Charity Growth Index	6.0

Source: Sarasin & Partners, 30.09.21

# Asset allocation

## Risk and return characteristics



### Strategic asset allocations

Projected total return p.a. %		Income & Reserves (Asset Allocation %)	Endowments (Asset Allocation %)
0.4	Gilts	35.0	7.5
2.5	Corporate Bonds	30.0	7.5
6.3	UK Equities	10.0	20.0
	Global Equities	10.0	50.0
5.0	UK Commercial Property	0.0	5.0
4.5	Alternatives	10.0	10.0
1.0	Cash	5.0	0.0
Total fund		100	100
Projected returns	Projected income yield	2.7	2.6
	Trend total annual return	2.6	5.3
	Trend annual 'real' return	0.6	3.3
Key risk metrics (Based on historic index performance)	Maximum annual drawdown %*	-7.9	-24.9
	1 Year 5% Value at Risk (VaR)*	-5.9	-11.3
	Annualised Volatility %*	5.2	10.1

**Please note that there are no guarantees that the projected returns will be achieved.**

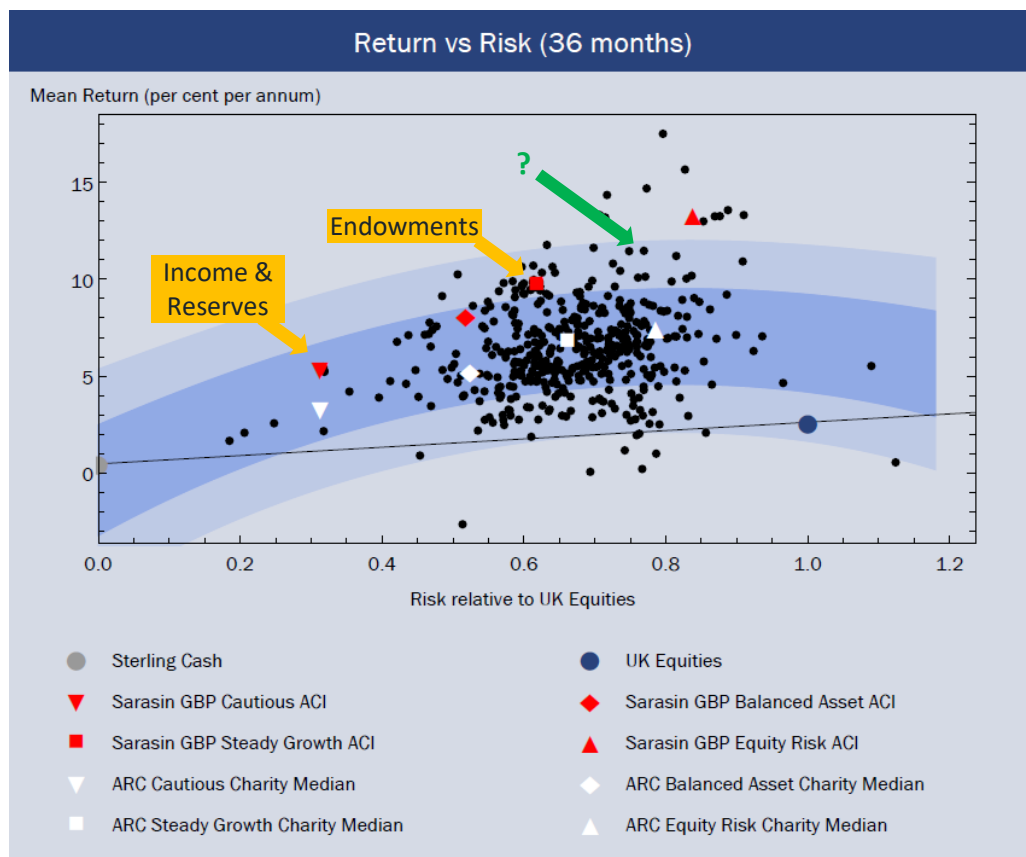
Source: Sarasin & Partners LLP. \* Data since 31.12.05. As at 30.09.21. 95% 1 Year VaR of 10% means that there is a 5% probability that the portfolio will fall in value by 10% or more over any one year period. Therefore, a 10% loss is expected on this portfolio on one year in twenty.

# Sarasin & Partners Charity peer group

## ARC Charity Universe: risk vs return



Sarasin & Partners portfolios (in red) vs ARC charity universe (36 Months). Mean return, risk relative to UK equities to 30 June 2021



### Contributing firms include:

- Aberdeen Standard Capital
- Barclays, Wealth & Investment
- Baring Asset Management
- Cazenove Capital (Schroders)
- CCLA Investment Management Ltd
- Charles Stanley & Co Ltd
- James Hambro & Partners LLP
- M&G Investments
- Quilter Cheviot Investment
- Rathbone Investment Management
- Rothschild & Co Wealth Management
- Sarasin & Partners LLP
- Smith & Williamson
- Stonehage Fleming
- UBS AG
- Veritas Investment Management LLP
- Waverton Investment Management

Past performance does not guarantee future returns. The value of investments and the income from them can go down as well as up and investors may not get back the amount originally invested. Source: ARC Research Ltd PCI [www.suggestus.com](http://www.suggestus.com), 30 June 2021. ARC Charity Indices are based on historical information. Asset Risk Consultants Limited (ARC) is an independent investment consultancy specialising in the analysis of private client and charity investment portfolio performance. c30 investment houses supply ARC with performance data across their entire charity base. For more information about ARC, please see 'Important Information' at the back of this document.



# Asset allocation

## Risk and return characteristics



### Strategic asset allocations

		New CAIF		
Projected total return p.a. %		Income & Reserves (Asset Allocation %)	Endowments (Asset Allocation %)	Growth (Asset Allocation %)
0.4	Gilts	35.0	7.5	0.0
2.5	Corporate Bonds	30.0	7.5	0.0
6.3	UK Equities	10.0	20.0	80
	Global Equities	10.0	50.0	
5.0	UK Commercial Property	-	5.0	-
4.5	Alternatives	10.0	10.0	20.0
1.0	Cash	5.0	-	-
Total fund		100	100	100
Projected returns	Projected income yield	2.7	2.6	1.8
	Trend total annual return	2.6	5.3	5.9
	Trend annual 'real' return	0.6	3.3	3.9
Key risk metrics (Based on historic index performance)	Maximum annual drawdown %*	-7.9	-24.9	-25.1
	1 Year 5% Value at Risk (VaR)*	-5.9	-11.4	-13.6
	Annualised Volatility %*	5.2	10.1	11.9

**Please note that there are no guarantees that the projected returns will be achieved.**

Source: Sarasin & Partners LLP. \* Data since 31.12.05. As at 30.09.21. 95% 1 Year VaR of 10% means that there is a 5% probability that the portfolio will fall in value by 10% or more over any one year period. Therefore, a 10% loss is expected on this portfolio on one year in twenty.

# Reporting improvements 1



## Top holdings: theme, corporate characteristic and ESG score

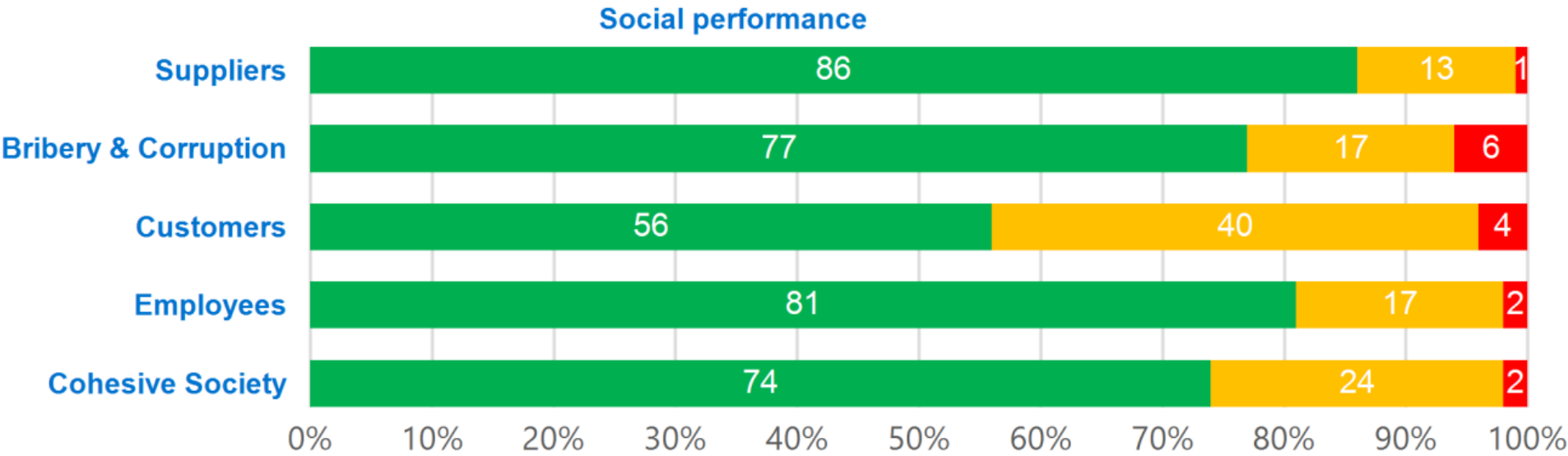
Security Name	% of Equities	Theme	Corporate Characteristic	ESG Score
ENEL SPA	2.4	Climate Change	Cash Harvest	A
NEXTERA ENERGY INC	2.4	Climate Change	Defensive Franchise	B
MICROSOFT CORP	2.3	Digitalisation	Defensive Franchise	B
AIR LIQUIDE SA	2.2	Climate Change	Defensive Franchise	B
MASTERCARD INC - A	2.1	Digitalisation	Disruptive Growth	B
COLGATE-PALMOLIVE CO	2.0	Evolving Consumption	Defensive Franchise	B+
UNILEVER PLC	2.0	Evolving Consumption	Defensive Franchise	B
CME GROUP INC	2.0	Automation	Cyclical Franchise	B
ASML HOLDING NV	1.9	Digitalisation	Disruptive Growth	A
ECOLAB INC	1.9	Climate Change	Defensive Franchise	A

Source: Sarasin & Partners, 30.09.21

# Reporting improvements 2



Traffic lights: break out E, S & G with overall ratings



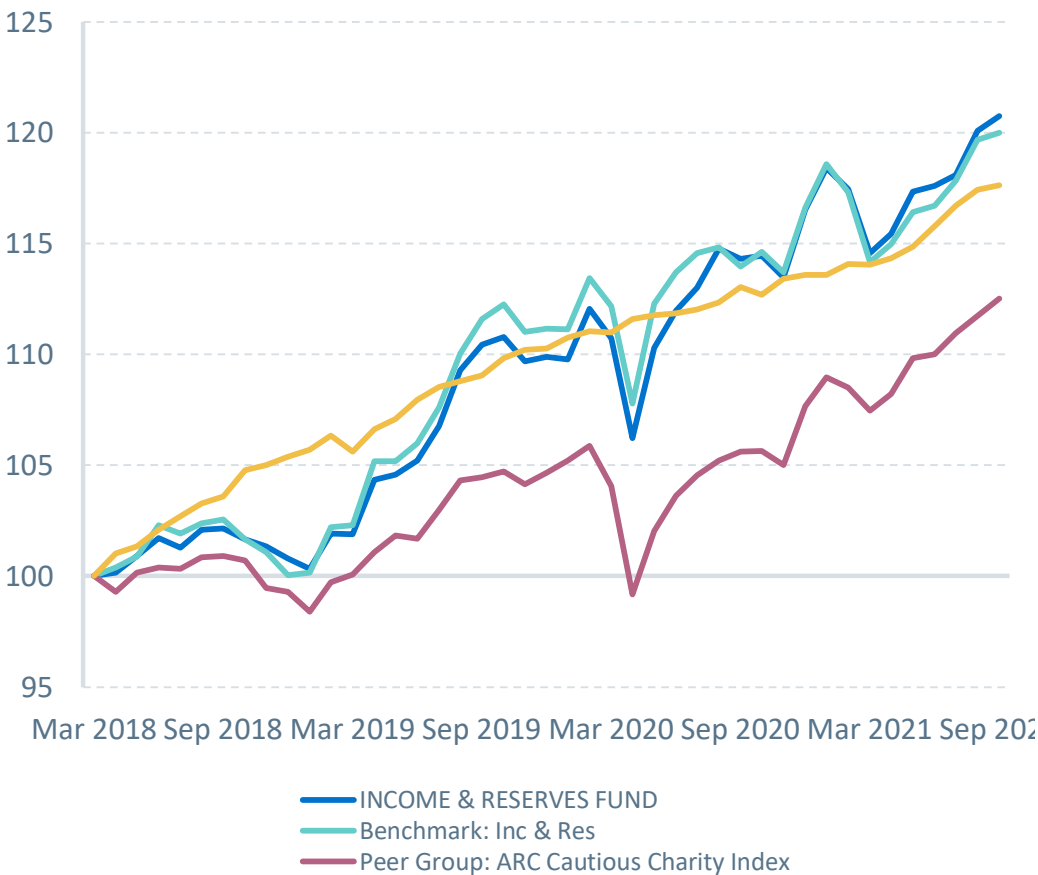
Source: Sarasin & Partners, 30.09.21

## The recent past

# Income & Reserves CAIF

3 year and 12 month performance

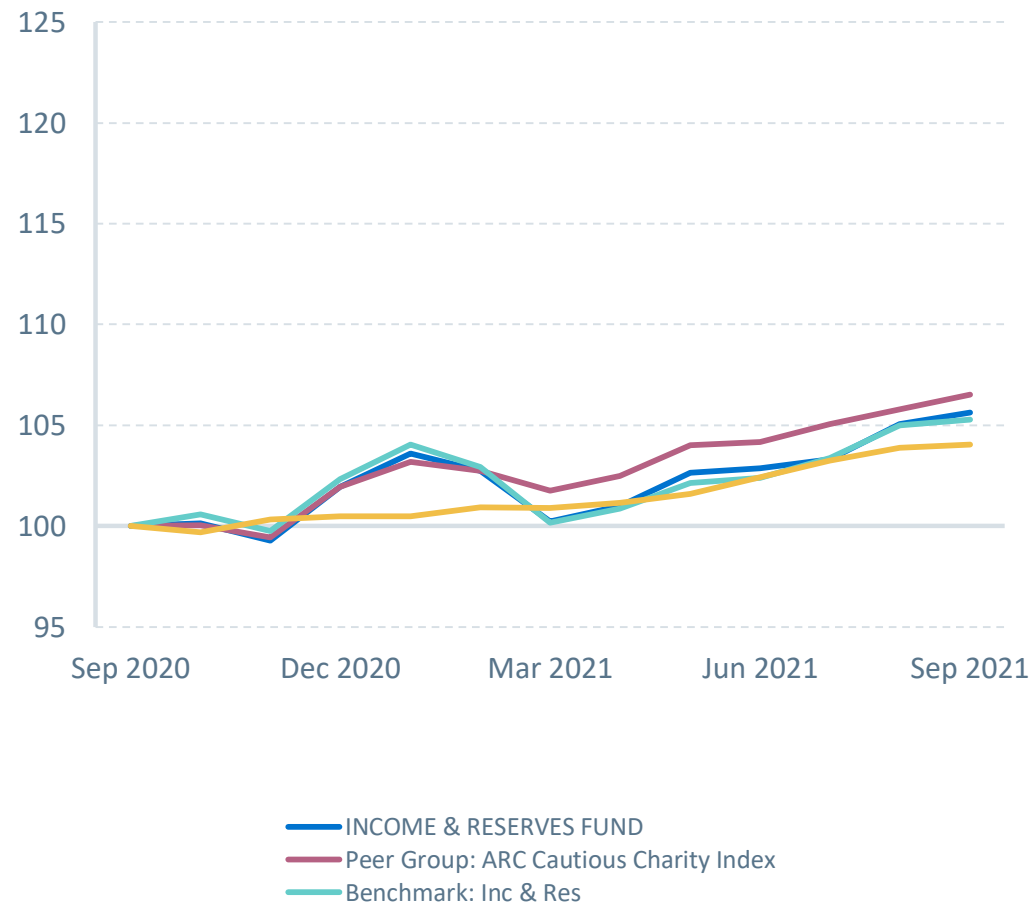
 3 year performance



**Past performance does not guarantee future returns. The value of investments and the income from them can go down as well as up and investors may not get back the amount originally invested.**

Source: Sarasin & Partners, 30.09.21

 12 month performance

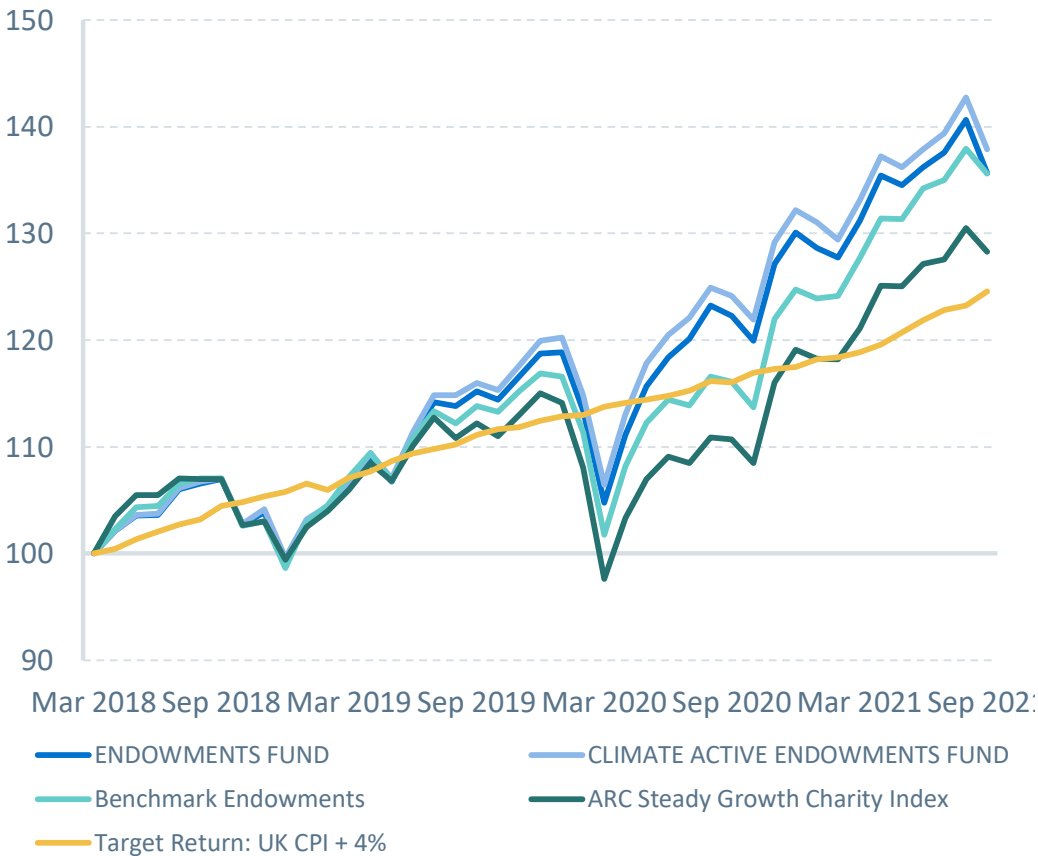


Source: Sarasin & Partners, 30.09.21

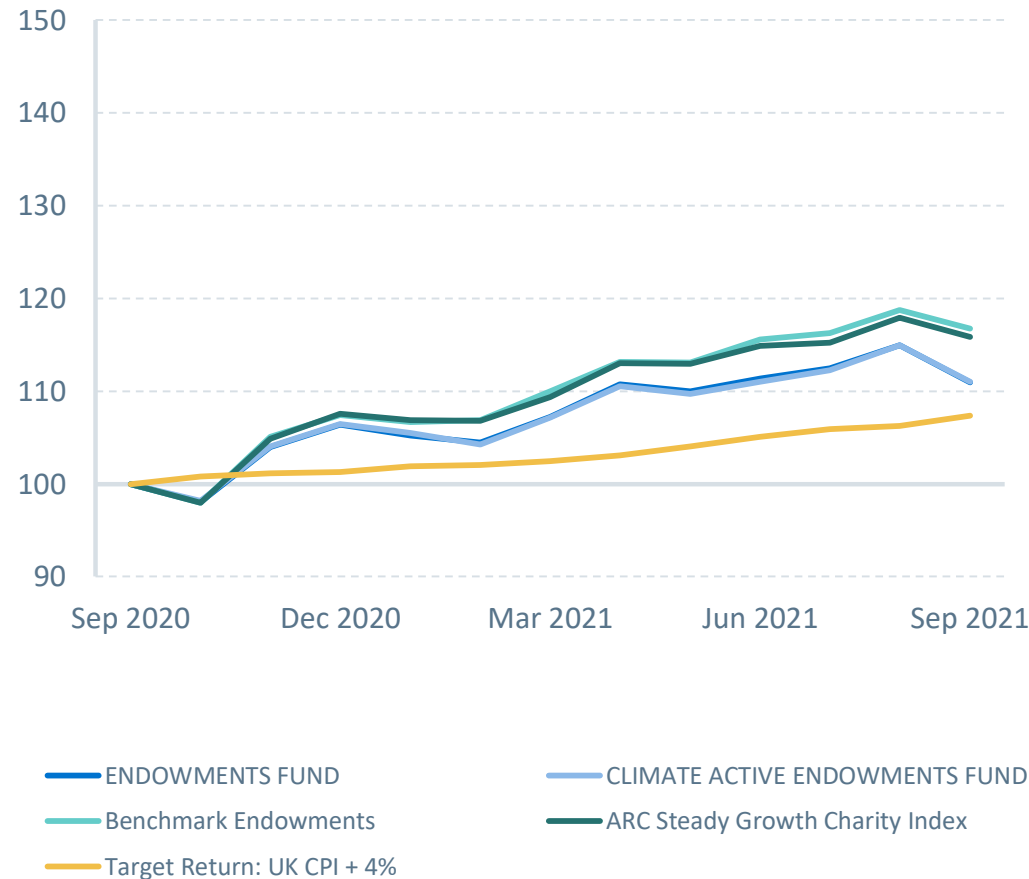
# Endowments CAIFs

## 3 year and 12 month performance

3 year performance



12 month performance



Past performance does not guarantee future returns. The value of investments and the income from them can go down as well as up and investors may not get back the amount originally invested.

Source: Sarasin & Partners, 30.09.21

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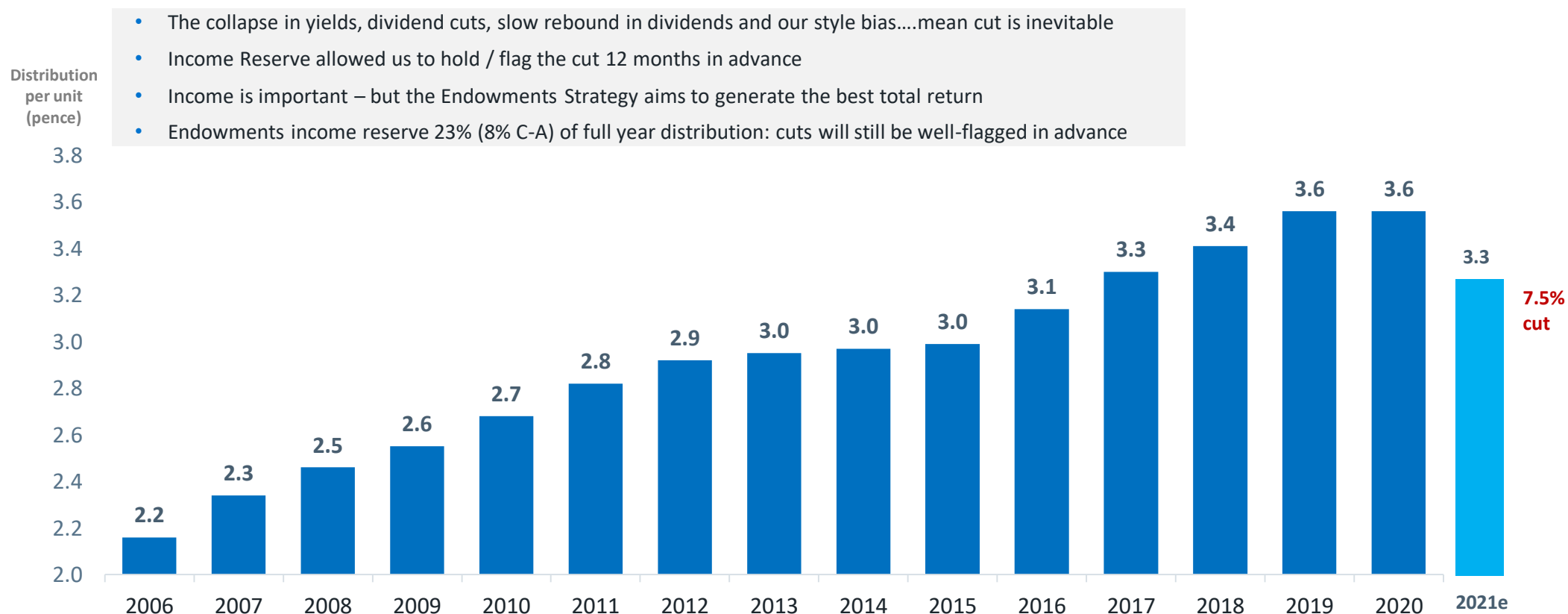


# Income distributions

## Sarasin Endowments Fund



Income has grown by 3.6% per annum since 2006 against CPI of 2.1%: 'real' income growth of 1.5%



The yields quoted have been calculated using price information as at the date of publication and are not guaranteed.

Source: Sarasin & Partners LLP. Data: Updated Annually, \*Sarasin Endowments Fund (formerly Alpha CIF for Endowments), 31.09.21

# Important information

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The Sarasin Endowments Fund for Charities, Sarasin Climate Active Endowments Fund and Sarasin Income Reserves Fund for Charities Funds (the funds) are designed for charities within the meaning of Section 1 of the Charities Act 2011 or as defined in paragraph 1(1) Schedule 6, Finance Act 2010 which are organised, incorporated or resident in the United Kingdom or Ireland.

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There is no minimum investment period, though we would recommend that you view your investment as a medium to long term one (i.e. 5 to 10 years).

Frequent political and social unrest in Emerging Markets, and the high inflation and interest rates this tends to encourage, may lead to sharp swings in foreign currency markets and stock markets. There is also an inherent risk in the smaller size of many Emerging Markets, especially since this means restricted liquidity. Further risks to bear in mind are restrictions on foreigners making currency transactions or investments.

For efficient portfolio management the Funds may invest in derivatives. The value of these investments may fluctuate significantly, but the overall intention of the use of derivative techniques is to reduce volatility of returns. The Fund may also invest in derivatives for investment purposes.

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# Important information

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