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The Charity Funds Annual Review

November 2023

This document is intended for retail investors. You should not act or rely on this document but should contact your professional adviser.



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Global outlook

Subitha Subramaniam, Partner, Chief Economist
and Head of Asset Management

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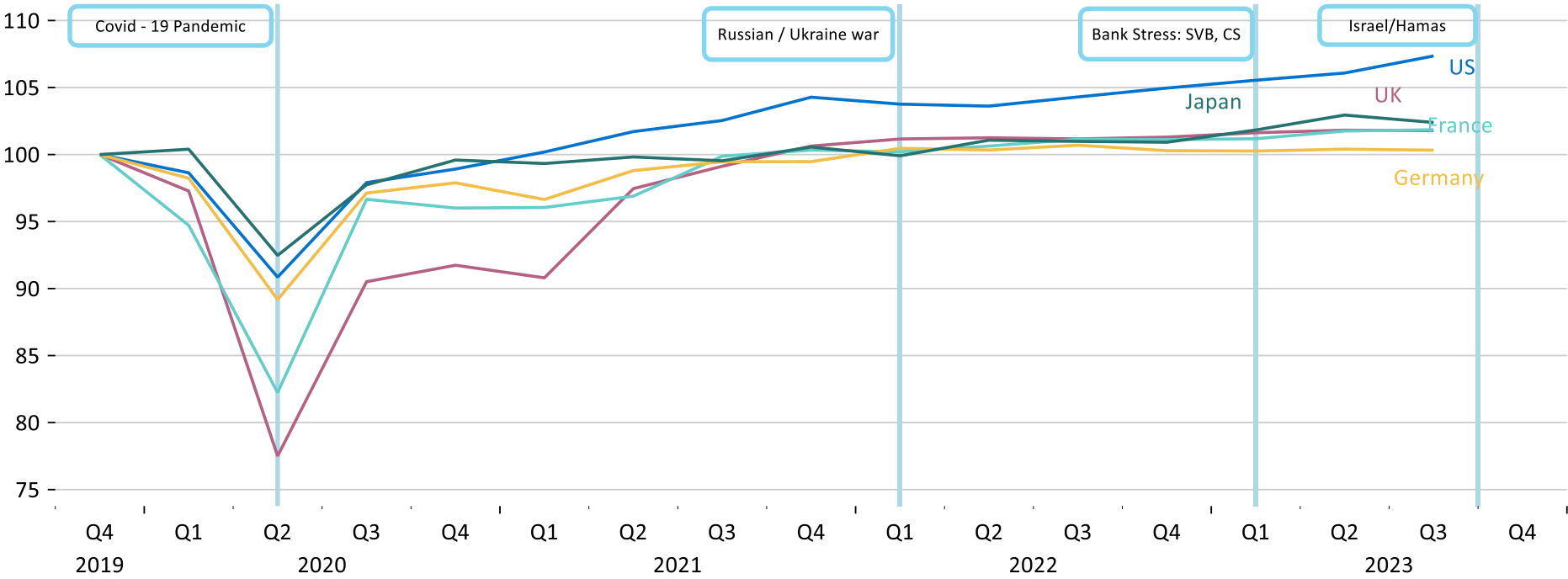
Economy: Growth, Inflation and Interest rates

Growth: Recovery, Resilience, Recalibration

Fiscal support, excess savings and lower interest sensitivity have led to surprising resilience

Growth has been remarkably resilient in the face of repeated shocks

Gross Domestic Product (indexed to 100 in 2019Q4)

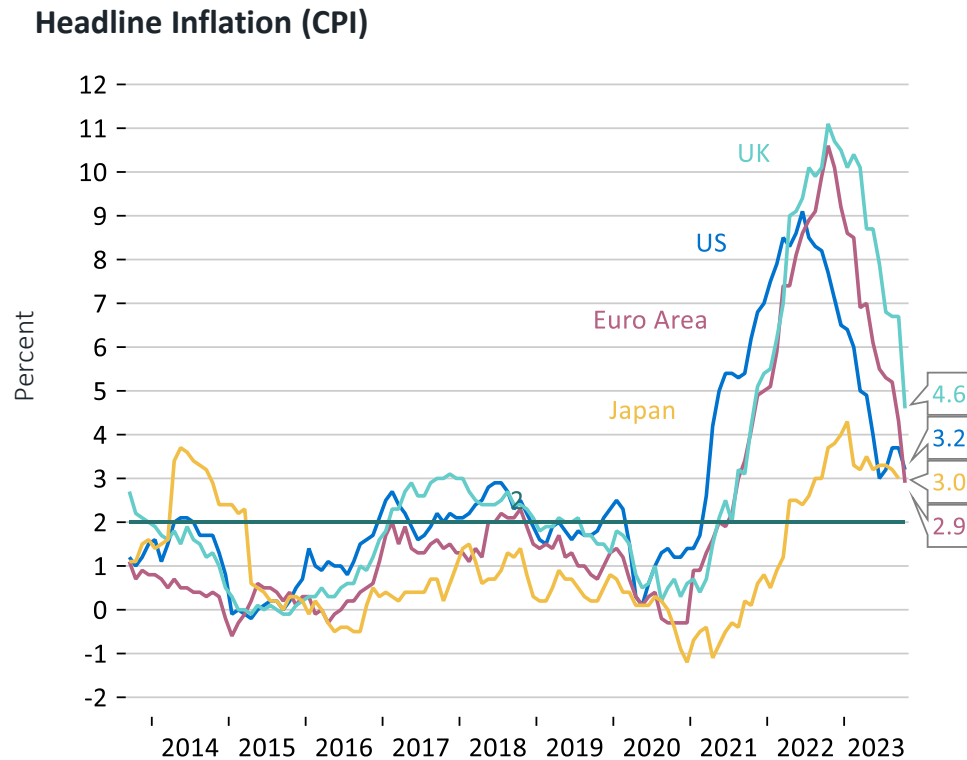


Source: Macrobond, 15.11.23

Inflation: the last mile might take longer

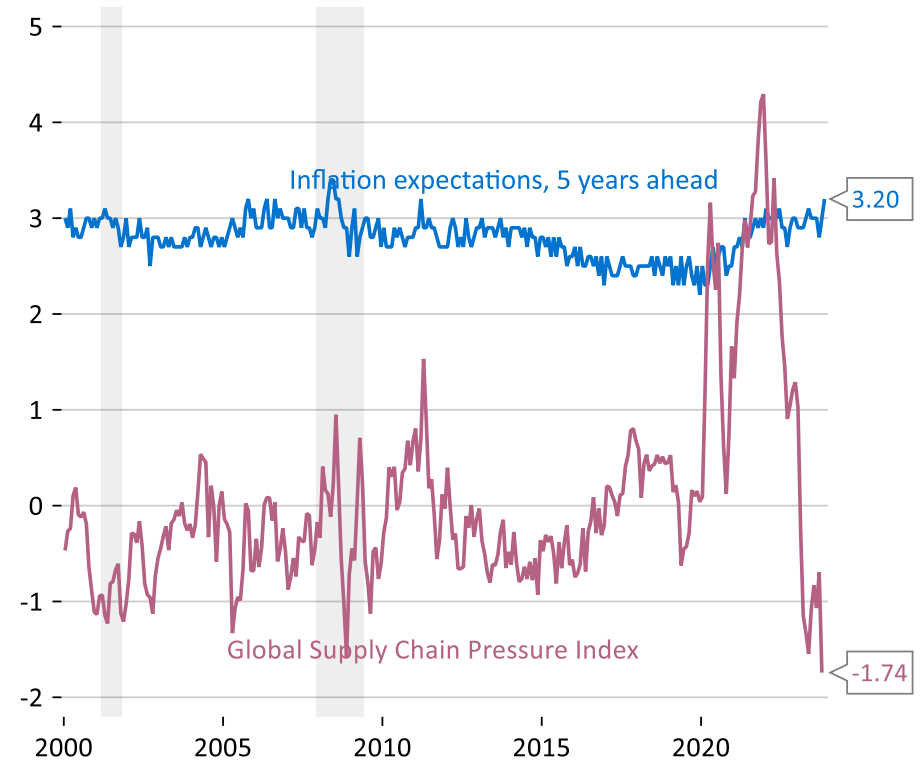
Improving supply markets have led to a rapid disinflation

Fading supply shocks have led inflation lower in 2023



Source: Macrobond, 15.11.23

Inflation expectations are becoming more unsettled



Source: Macrobond, 15.11.23

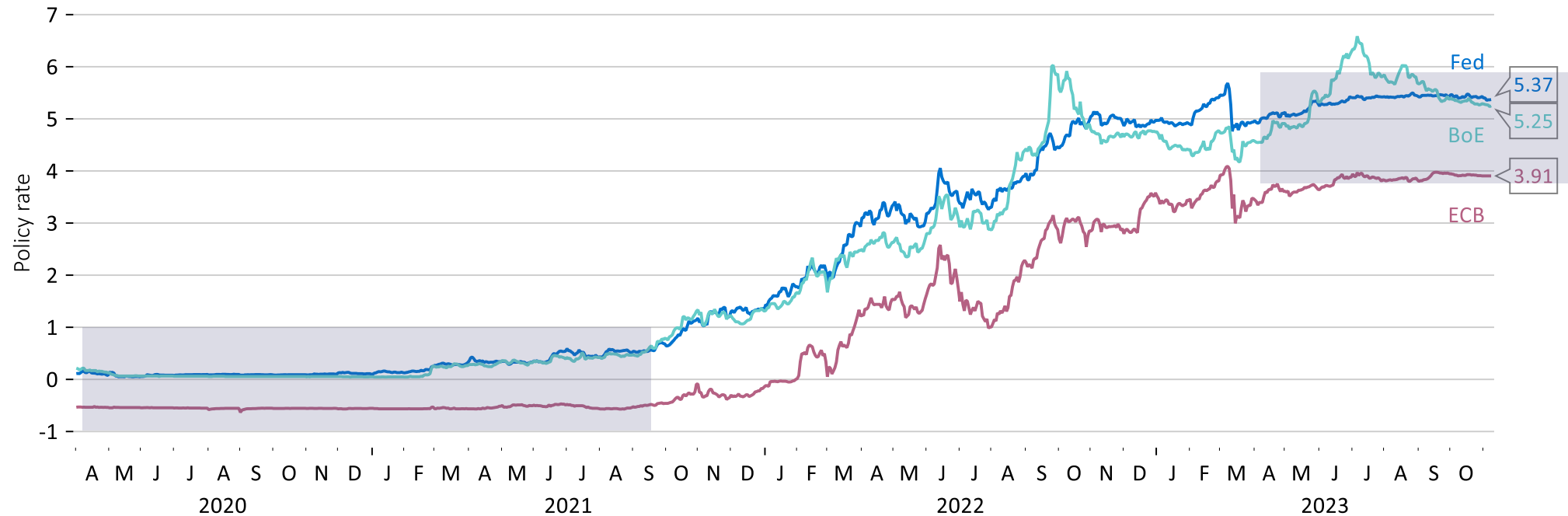
Interest rates: The Great Reset is likely behind us

Policy rates are likely to remain at current levels for at least two more quarters

Market expectations for peak policy rates

Terminal rates: Fed, ECB BoE

The market expected peak of policy rate

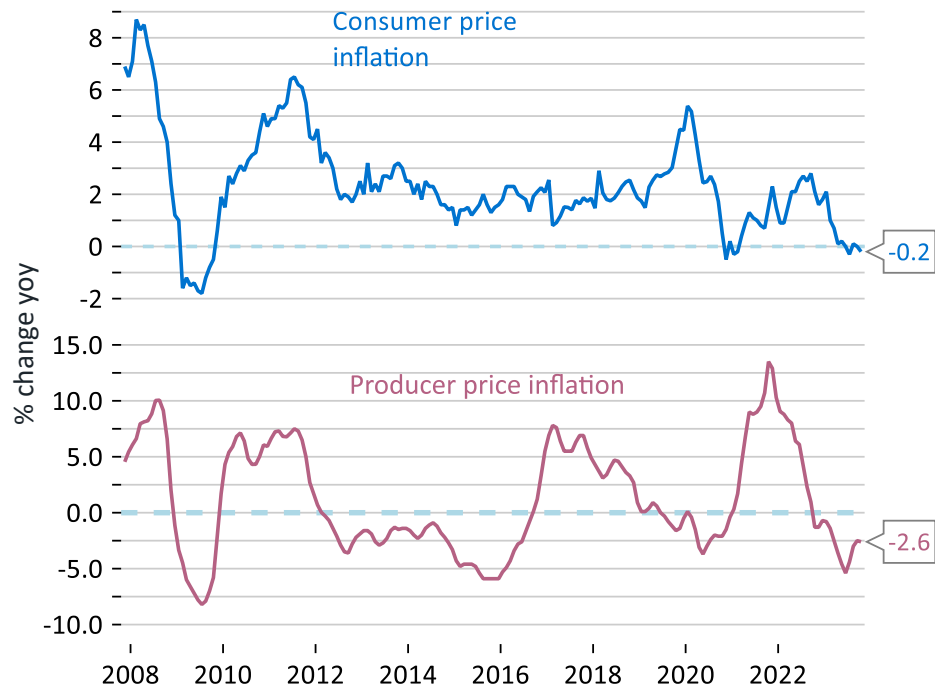


Source: Macrobond, 09.11.23

China: Property market has not yet stabilised – some policy easing taking place – parallels with Japanese debt/property shock

Chinese inflation rates turn decisively negative

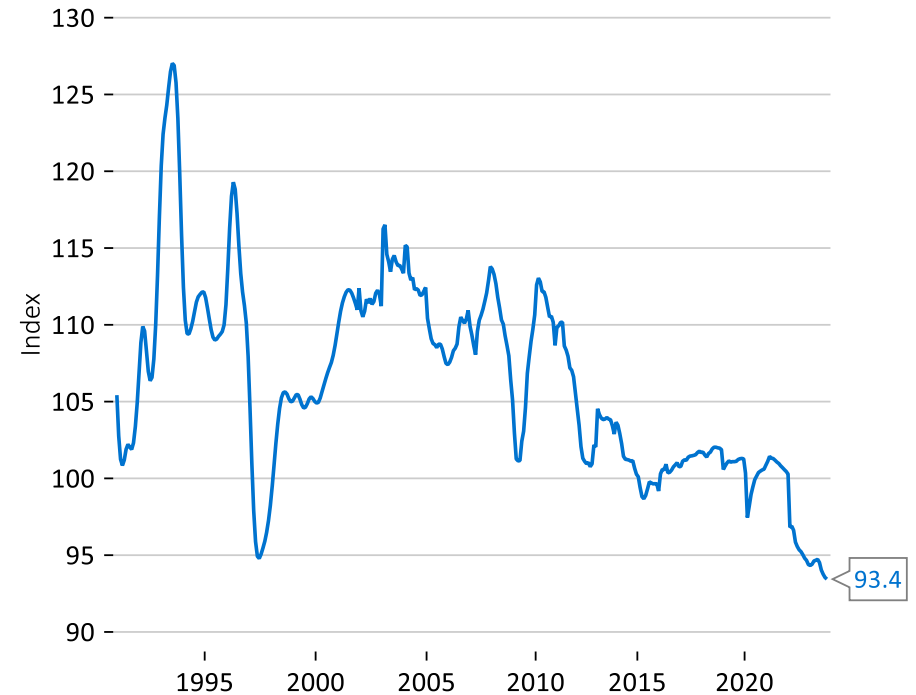
China inflation measures



Past performance is not a guide to future returns and may not be repeated.
Source: Macrobond, 15.11.23

Chinese real estate indicators the most negative in 30 years

China National Real estate Climate Index



Past performance is not a guide to future returns and may not be repeated.

Source: Macrobond, 01.11.23

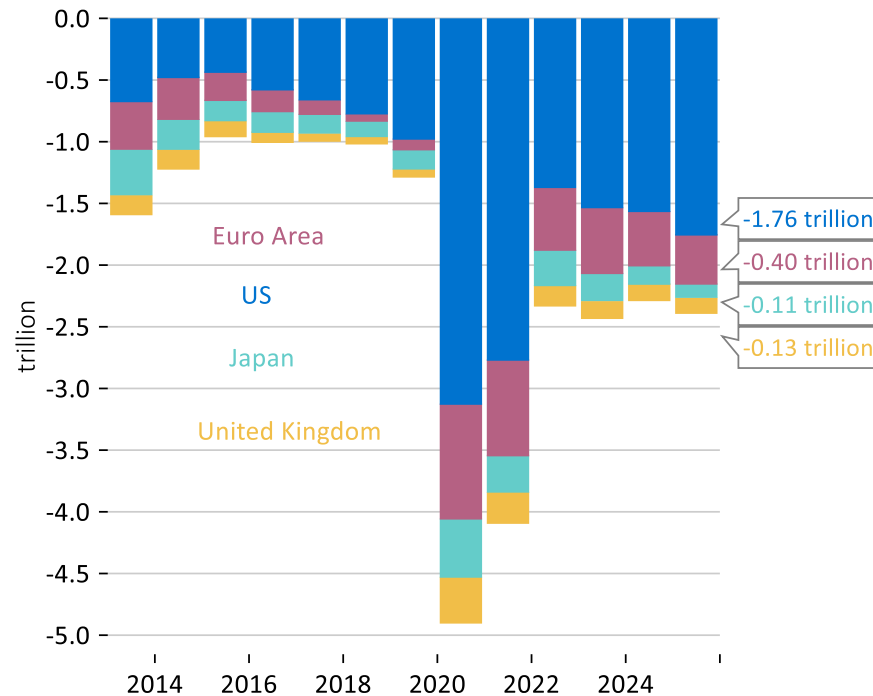
The real-estate climate index is a composite index reflecting the current situation and development trends of the Chinese real estate market.

Risk: Surge in bond supply suggests yields could overshoot

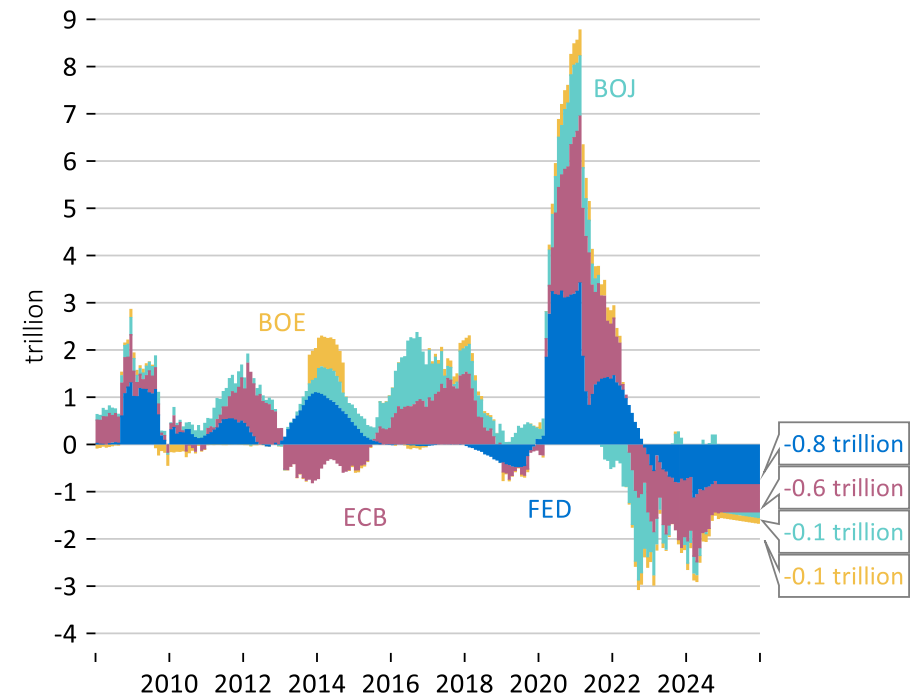
Budget deficits increasing at the same time as central banks stop buying bonds

Budget deficits (IMF World Economic Outlook)

Combined budget deficits for Advanced Economies



Annual change in central bank balance sheets



Past performance is not a guide to future returns and may not be repeated.
Source: Macrobond, 15.11.23

Past performance is not a guide to future returns and may not be repeated.
Source: Macrobond, 15.11.23

Macro Outlook

Slowing growth, slowing inflation and some easing in policy rates

Growth

- **Soft patch over the next quarter** as higher real rates pull back labour demand
- **Reduced risk of hard landing** as balance sheets are strong and fiscal support in the pipeline

Inflation

- **Rapid disinflation** mostly behind us
- **The last mile** - getting to 2% on a sustainable basis - will take time
- **Inflation expectations** at upper end of range consistent with price stability

Interest Rates

- Rates have **peaked** in most major economies
- **Neutral rates have risen** – rates will not go back to pre-pandemic levels
- Lower inflation will **passively raise real rates** through 2024

Risks

- **Unsustainable level of fiscal deficits** for an economy at full potential
- **Rising Commercial Real Estate defaults** stress small / regional banks
- Energy or other **supply shock** could reduce central bank flexibility

Source: Sarasin & Partners, November 2023

02 Markets

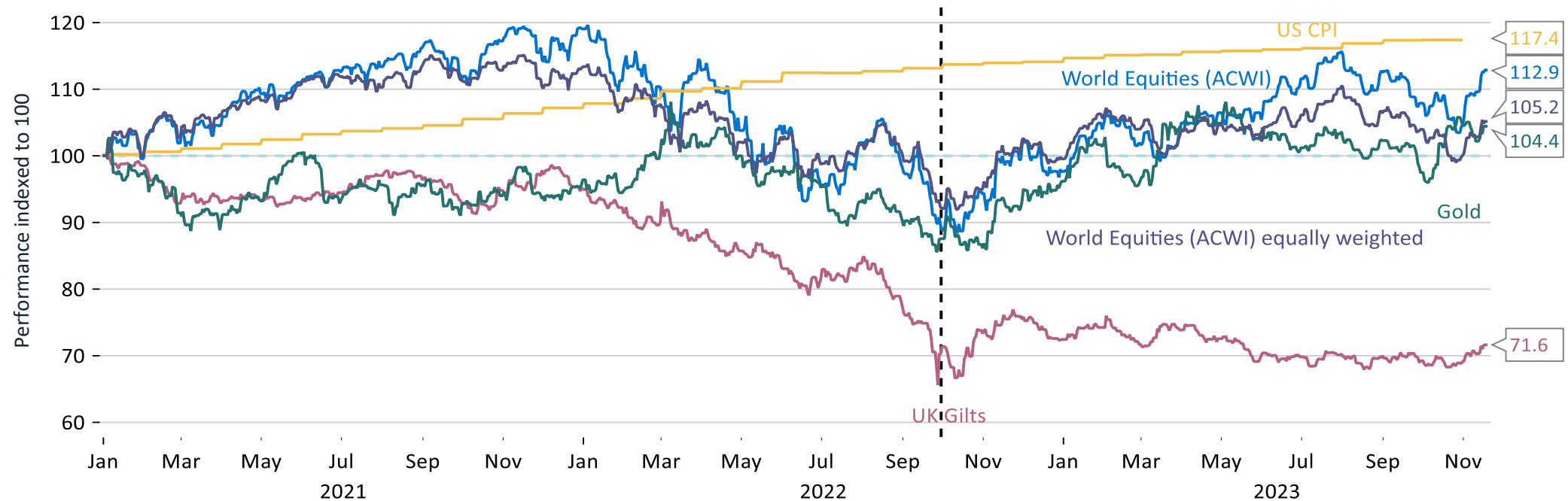
Asset prices: adjusting to higher inflation and rates

Nominal assets (bonds) have revalued and Real assets (equities) have struggled to keep pace with inflation

A three year bear market in bonds seems to be drawing to a close

Asset class performance 2021–2023

Indexed to 100 on 1.1.21



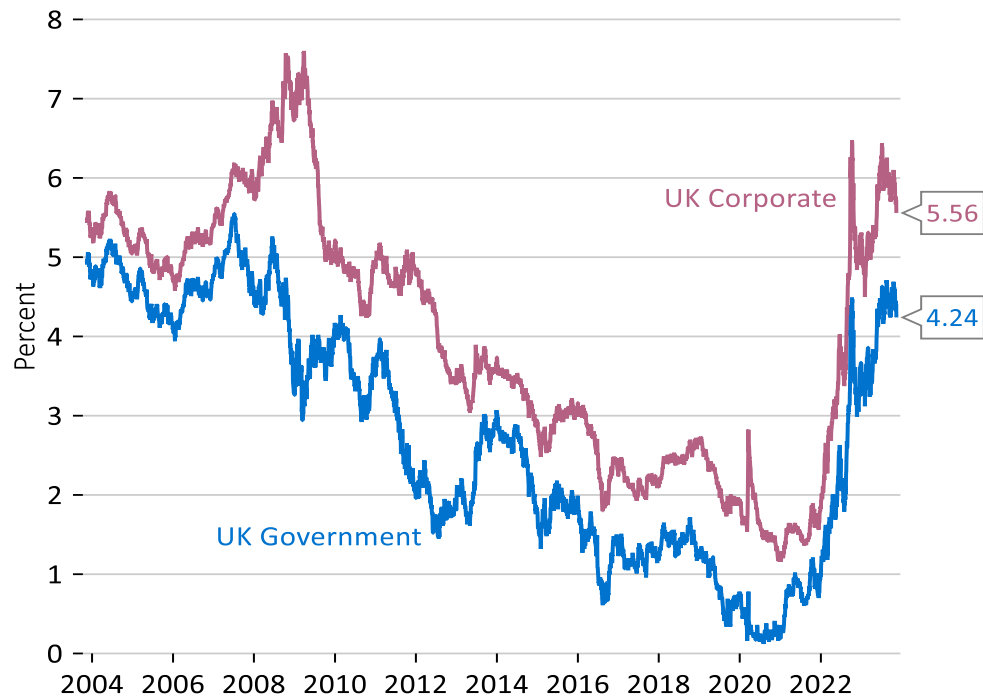
Past performance is not a reliable indicator of future results and may not be repeated.
Macrobond, 16.11.23

Bonds: Yields increasingly attractive as inflation falls

Sterling corporate bonds & US inflation-linked yields offer value

Global bond yields climb to near 15-year highs

UK Government and Corporate Bond Yields



Past performance is not a reliable indicator of future results and may not be repeated.
Macrobond, 15.11.23

US Inflation-linked bonds now offering 2.4% real yields

US 20 Year TIPS (Index-Linked)

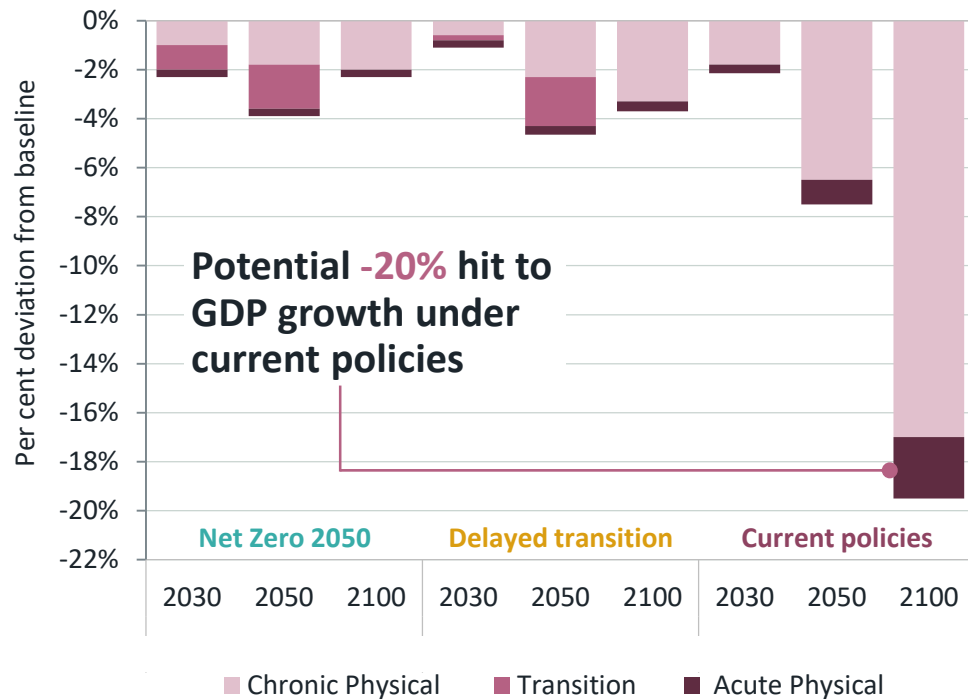


Past performance is not a reliable indicator of future results and may not be repeated.
Macrobond, 15.11.23

3. Climate change – risk and opportunity

Potential hit to GDP growth, but also historic investment opportunity

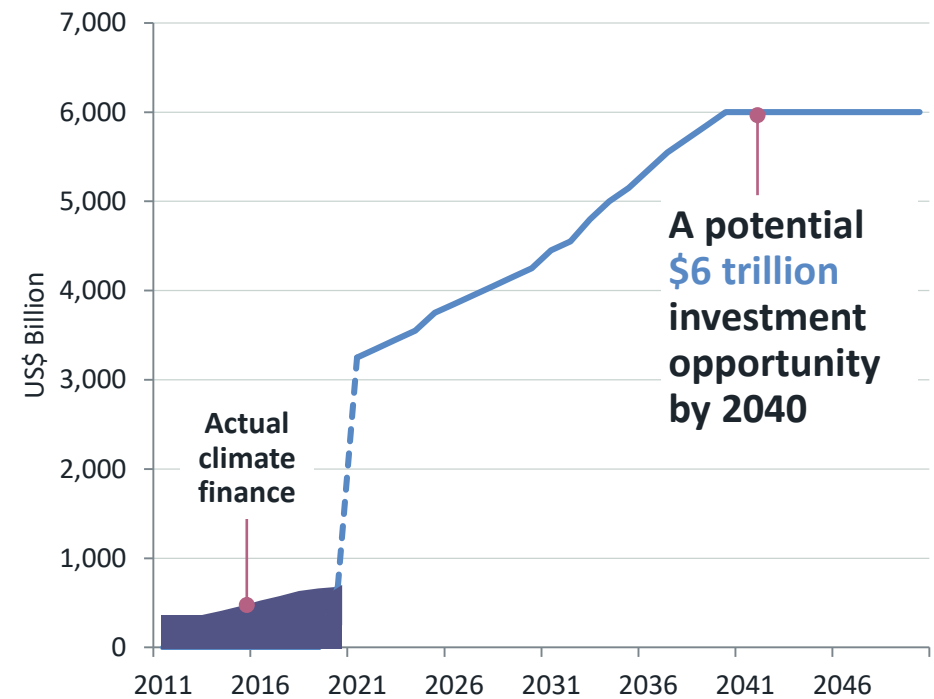
GDP deviation climate risks, feeding through asset valuation



Source: NGFS, 2022

Historic and required investment in climate related finance

Future climate finance necessary to maintain 1.5°C pathway



Source: Global Landscape of Climate Finance 2021 & IPCC

Policy summary

Neutral on equities with protection, and overweight on corporate bonds, gold and sterling

Bonds

Neutral

- **Underweight Govt:** fiscal risks remain high
- **Overweight Investment Grade Credit:** balance sheets are healthy

Equities

Neutral with insurance

- **Global:** Earnings slowdown ahead
- **Emerging markets:** higher oil, interest rates and dollar a challenge
- **Equity insurance:** to manage economic and political volatility

Alternatives

Neutral

- **Neutral Correlated:** discounts attractive
- **Underweight Uncorrelated:** cash hurdle has increased
- **Overweight** positions in **Gold** and **Carbon**

Cash

Overweight

- **Overweight:** Sterling can rally toward fair value on reduced political risk

Risks

- **Liquidity risks** elevated as central bank balance sheets
- Political risk from **military conflict** has climbed

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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).

Risks associated with investing in Real Estate Investment Trusts (REITs) include, but are not limited to, the following: declines in the value of real estate, risks related to general and local economic conditions, overbidding and increased competition, increases in property taxes and operating expenses, changes in zoning laws, casualty or condemnation losses, variations in rental income, changes in neighbourhood values, the appeal of properties to tenants, and increases in interest rates. In addition, REITs may be affected by changes in the value of the underlying property owned by the trusts or may be affected by the quality of credit extended. REITs are dependent upon management skills, may not be diversified and are subject to the risks of financing projects. The ability to trade REITs in the secondary market can be more limited than other stocks.

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 consider are restrictions on foreigners making currency transactions or investments.

The Fund may invest in derivatives for efficient portfolio management purposes. This means Derivatives can only be used to manage the Fund more efficiently in an attempt to reduce the overall risk of its investments, reduce the costs of investing or generate additional capital or income, although this may not be achieved and may create losses greater than the cost of the derivative.

Important Information

This document does not explain all the risks involved in investing in the Fund and therefore you should ensure that you read the Prospectus and the Key Investor Information Document, which contain further information including the applicable risk warnings. The Prospectus, the Key Investor Information document as well as the annual and semi-annual reports of the Fund are available free of charge from www.sarasinandpartners.com or from Sarasin & Partners LLP, Juxon House, 100 St Paul's Churchyard, London, EC4M 8BU, Telephone +44 (0)20 7038 7000 (telephone calls may be recorded).

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The Fund may invest more than 35% in government or public securities issued by any single issuer listed in the Prospectus. Such exposure will be in line with the investment policy of the Fund and in pursuit of the Fund's objective. It is currently envisaged that the Fund's exposure to such securities may be to those issued by the UK government, although this may vary and include securities issued by other governments and public issuers listed in the Prospectus.

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SARASIN & PARTNERS

Juxon House
100 St Paul's Churchyard
London
EC4M 8BU

T: +44 (0) 20 7038 7000
www.sarasinandpartners.com

