

SHARES

RIT Capital beats benchmarks as private holdings shine

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2021 proved another strong year for RIT Capital Partners (RCP), which delivered a net asset value total return of 23.6% to outperform both its benchmarks, despite having modest equity market exposure.

Returns for the investment trust with a capital preservation bent were boosted by its private investments. Indeed, the initial public offering of South Korean e-commerce colossus Coupang, often referred to as the “Amazon of South Korea”, proved especially helpful.

MULT-ASSET MARVEL

As Shares explained here, RIT is a multi-asset portfolio that invests in credit, macro strategies and real assets. However, it also aims to deliver long-term capital growth through the purchase of risk assets including equities and private companies, both directly and through funds.

The year to December 2021 saw the diversified portfolio deliver meaningful outperformance of both its ‘reference hurdles’ for the second consecutive year.

Performance exceeded the 20% delivered by the MSCI All Country World Index as well as the 10.5% for the fund’s absolute return target of RPI plus 3%.

RIT Capital Partners enjoyed an exceptional performance from its private investments, including Coupang’s listing and more widespread gains across investments focused on the digital transition. The total dividend for 2021 was 35.25p and in 2022, the board intends to increase the shareholder reward by 5% to 37p.

In terms of the outlook, the trust’s managers commented: ‘At times like this, we approach every new investment with caution - being selective in our allocations to those investments we feel offer appropriate margins of safety, and passing on those which don’t.

'It is a time when the importance of our portfolio construction cannot be overstated. We will continue to try to balance our portfolio carefully to ensure that the themes and risks are appropriately weighted and reflected in the NAV.'

WHY ANALYSTS ARE POSITIVE

Sticking with its positive recommendation on RIT Capital Partners, Stifel said: 'With equity markets being quite difficult at present, we think RIT provides something different with its multi-asset approach. It is also worth bearing in mind that the NAV has now participated in 74% of market upside but only 38% of market declines since the fund's inception.'

Numis pointed out that RIT Capital has 'an exceptional long term track record through an unconstrained investment approach seeking to deliver long-term capital growth, whilst preserving shareholders' capital. The latter is becoming increasingly important in volatile markets.

'Private investments, focused on disruptive technology stocks, have been a strong driver of returns, but we believe the managers positioning continues to reflect its defensive style with hedges being used where appropriate, equity exposure being close to historic lows at circa 35%, and the managers being highly selective on new investment.'