

RIT Capital Partners plc

Results for the half year ended 30 June 2023

RIT Capital Partners plc today published its results for the half year ended 30 June 2023.

Summary:

- Markets continued to face difficult conditions, with persistent inflation and rapidly increasing interest rates as central banks balance monetary tightening with the risks of economic downturn. Nevertheless, many equity indices performed well, buoyed by a recovery in mega-cap technology stocks, though the UK market and China ended down
- Our net asset value per share (NAV) total return for the period was -0.2%
- Since inception, RIT has now participated in 74% of monthly market increases but only 41% of market declines with RIT's NAV compounding at almost 11% per annum, compared to the MSCI ACWI at 7%

Financial Highlights:

- NAV per share of 2,364 pence at 30 June 2023
- Share price closed at 1,868 pence, a discount of 21.0%

Performance Highlights:

- Our quoted equities returned almost 7%, contributing 2.6% to NAV. This reflected good performance from our Japan and healthcare themes, as well as strong stock selection, with Builders FirstSource a standout performer
- Our direct private investments returned 4.5%, with a number of transactions at or above our December valuations, providing support for the robustness of our valuation approach. However, mainly as a result of the receipt of Q4 valuations for our private funds, the book overall was down slightly. This portfolio is well positioned for renewed optimism in the digital transition theme
- Uncorrelated strategies delivered positive stable returns helped by credit and interest rate positions as well as gold
- Currency translation detracted -2.9% from the NAV performance, largely due to sterling strength, in particular against the US dollar

Dividends and Buybacks:

- Dividend of 19 pence per share was paid in April and maintained for October, representing an increase of almost 3% over the previous year's dividend
- We have continued to meaningfully buyback shares, totalling 5.6 million shares at a cost of £105 million. This added an estimated 0.8% to the NAV per share return and the Board continues to believe that the opportunity to buyback our shares at the current discount is a compelling investment for shareholders

Commenting, Sir James Leigh-Pemberton, Chairman of RIT Capital Partners plc, said:

"Many of the underlying conditions which made 2022 a particularly difficult year for markets still prevail today... Across the US, UK and Europe, rates have risen significantly, with the fastest average increases in four decades... yield curves remain inverted... which has in the past been a leading indicator of a future recession.

Despite this worrying backdrop... the S&P 500 finished the half year up well into double digits, and the NASDAQ had one of its strongest gains in a decade, up almost a third... However, excluding a handful of the largest technology companies, the remaining stocks in the S&P 500 averaged more modest returns.

Our NAV per share total return (including dividends) was broadly flat for the half year at -0.2%, to end June at 2,364 pence per share. This compares to the MSCI ACWI (50% £) which was up 11.0% and CPI plus 3% at 5.5%. Other equity indices did less well, with the FTSE 250... declining by nearly 1%. In view of the headwinds... we maintained a relatively low quoted equity exposure over the period... Our quoted equity portfolio nevertheless performed well, helped by some strong stock picks, as well as our healthcare and Japan exposures.

Private ... direct holdings recorded a modest gain, supported by a number of transactions at or above our previous carrying value.

The largest detractor in the first half was currency, driven by sterling's appreciation... Our uncorrelated strategies portfolio was additive, with credit and interest rate positions as well as gold, all in positive territory.

The discount ... remains wider than we believe is warranted ... The Board ... is responding with a two-pronged approach. Firstly... in share buybacks, to lock in the accretive benefit for shareholders... Secondly... enhancing our communications efforts to provide a more frequent and more detailed flow of information...

... this complicated backdrop is providing a fertile environment for our Manager, JRCM, to identify opportunities ... which should, we believe, offer healthy double-digit returns with a meaningful margin of safety. The ability to identify these opportunities... is a core capability of JRCM. The strength in depth which we have... is a cause for optimism for the future, and I am delighted that Nick Khuu has been promoted to Co-CIO. Nick is a very experienced investor who has been instrumental in the management of both our quoted equities and uncorrelated strategies."

The Manager, J. Rothschild Capital Management Limited, commented:

"Our NAV... total return for the first half of the year was -0.2%...

We deliberately kept our technology holdings in the quoted equity book low, given the exposure to the digital transition theme in our private investment portfolio. Stripping out the few mega-cap technology stocks from the S&P 500, the remaining stocks averaged around 6%. Our quoted equity book returned almost 7% in the first half, contributing 2.6% to NAV.

We do not believe that there are yet grounds for increasing our overall exposure to equity markets, and we will continue to focus on specific themes, such as healthcare, digital transition and Japan. In addition, we are holding healthy liquidity balances as we believe these are fertile markets for deploying long-term capital, in particular in US mid-cap stocks, and European credit.

We aim to hold diversified investments that capitalise on structural themes and market dislocations, where we can leverage our network of partners and managers and the advantage of permanent capital, to take a differentiated view for the benefit of our shareholders."

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About RIT Capital Partners plc:

RIT Capital Partners plc is an investment company listed on the London Stock Exchange. Its net assets have grown from £280 million on listing in 1988 to over £3.5 billion as at 30 June 2023. Lord Rothschild and his immediate family interests retain a significant holding.

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