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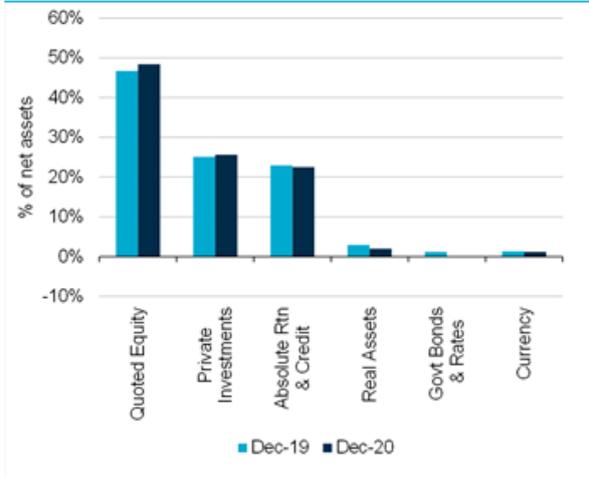
RIT Capital Partners – Final Results: A strong year for performance, attractive buying opportunity

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By Andrew Rees

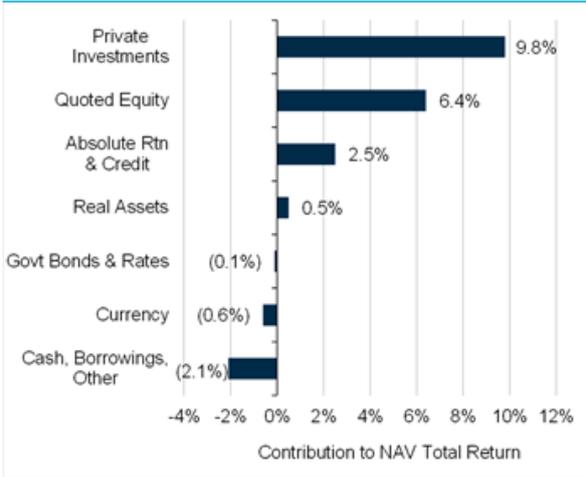
Performance: RIT Capital Partners delivered an NAV total return of 16.4% in the financial year to 31 December 2020 versus 12.7% for the MSCI AC World Index (50% in Sterling, 50% in local currencies) and 4.2% for the fund’s absolute return target of RPI plus 3%. The December NAV of 2,292p had already been released. However the results provide far more colour on the fund’s performance and portfolio. The company only releases a monthly NAV, and the latest figure for 31 January 2021 of 2,296p, up 0.2% from the year-end, versus a 0.5% fall for the index. The shares are currently trading at 2,090p, up 1.2% ytd and equivalent to a 9% discount to the last published NAV.

RIT Capital - Exposure by Strategy



Source: Company data

RIT Capital - Contribution by Strategy

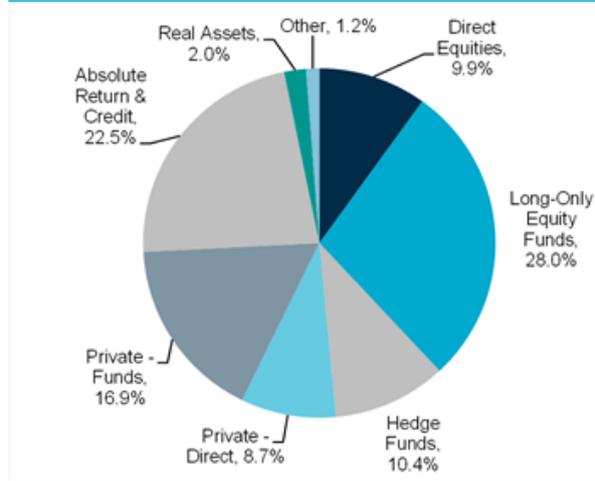


In Sterling, Source: Company data

Attribution: Most of RIT Capital’s core investment strategies made a positive contribution to absolute returns in local currency. The managers maintained a cautious approach, with net quoted equity exposure averaging 43%. The Private Investments (+9.8% contribution) had a strong year driven by Coupang and the tilt towards disruptive technologies in the US and Asia. The Quoted Equity portfolio (+6.4% contribution) also performed strongly, benefitting from long-term structural themes including healthcare and China. In addition, the benefited from a recovery of some more cyclical exposure,

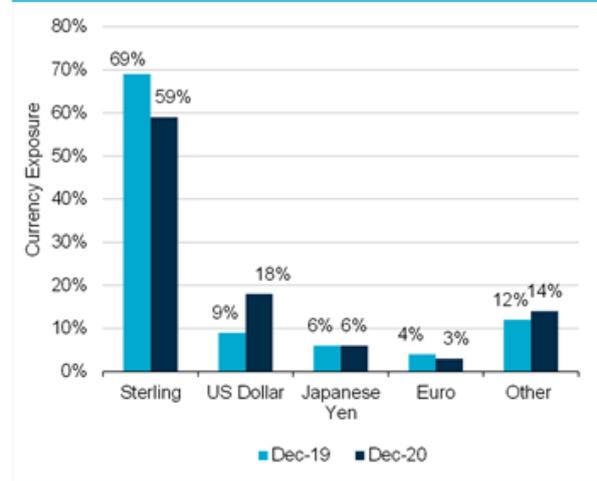
added during the summer. There were steady returns from the Absolute Return and Credit portfolio (+2.5%), where the managers added to exposure during volatile markets, as well as Real Assets (+0.5%), benefitting from rising gold prices.

RIT Capital - Portfolio by Asset Type



% of net assets at 31 December 2020. Source: Company & Numis Securities Research

RIT Capital - Currency Exposure



Source: Company data

RIT Capital is differentiated from most investment trusts by its active, unconstrained management of currency exposure. During 2020 the managers maintained a historically high weighting to Sterling due to wariness over a last-minute Brexit deal as well as a more constructive global risk sentiment which could put pressure on the US Dollar. Following the strong rally in mid-December, Sterling was reduced at the year end to 59% compared with 69% at the start of the year.

Quoted Equities: Exposure to equities is through a combination of long-only funds 57%, hedge funds 22% and direct equities/co-investments 21%. The direct stocks portfolio is now largely exposed to quality growth businesses and performed strongly in H2 after a challenging start. RIT added to Disney and Visa in H2 which performed well whilst detractors were cyclicals including Bookings and Citigroup, partially offset by a basket of cyclicals acquired in September designed to benefit from vaccine news. The long-only funds portfolio performed strongly driven by Asian equities and China in particular, as well as biotech and ESG.

Private Investments: represent 26% of net assets with 17% held in third-party funds and 9% in direct holdings. The asset class had a very strong year. Coupang was the largest contributor in the direct portfolio due to strong revenue growth and a revaluation. Coupang has made preliminary filings with the SEC for an IPO. RIT also benefitted from the realisations of CSL and Credit Karma, generating IRRs

of 25% and 33% respectively. The private funds portfolio has targeted thematic exposure to technology which was the main driver of performance, and private investments are seen as a more attractively valued way of accessing this theme compared to listed equities. RIT made £145m of new commitments over the year including Sequoia Capital China and First Minute. The majority of private fund positions and many of the direct private co-investments are held at September valuations.

RIT Capital - Direct Private Investments

Investment	Country	Business	Value £m			% Net Assets
			Dec-20	Jun-20	Dec-19	
Coupang	Asia	Online Consumer	140.8	72.9	56.4	3.9%
KeepTruckin	US	Logistics	44.5	44.3	38.3	1.2%
Age of Learning	US	Education	13.6	11.6	9.8	0.4%
Hippo Insurance	US	Insurance	12			0.3%
EQRx	US	Biotech	9.6			0.2%
Infinity Data Systems	UK	Data centres	8.5			0.2%
NerdWallet	US	Fintech	7.8			0.2%
Brex	US	Fintech	7.6			0.2%
Airtable	US	Software	7.4			0.2%
Other direct			62.1	116.9	227.2	1.8%
Total Direct			313.9	245.7	331.7	

Source: Company & Numis Securities Research

Absolute Return and Credit: represent 22.5% of net assets. The aim of these investments is deliver stable returns through investing in strategies that are less correlated to markets. The returns were broadly distributed across managers and sub-strategies, and benefitted from timely additions to credit during volatile markets where the managers opportunistically increased allocation to the asset class in Europe and the US through custom mandates with Tresidor and Farmstead.

Dividend: The Board intends to pay total dividends of 35.25p in 2021, an increase of 0.7% (0.25p) over the previous year. A dividend of 17.625p (17.5p) will be paid on 30 April (ex-date 1 April), with a second interim dividend of 17.625p in October. This represents a prospective yield of 1.7%.

Expenses: The company's ongoing charges figure (OCF) was 0.66% in 2020 (0.68% in 2019). However, these figures exclude performance related pay, including LTIPs of £14.3m (0.40%), as well as external management costs relating to fees charged by third party managers. RIT Capital estimates that external fees are equivalent to 0.89% (0.90% in 2018) of average net assets (excluding performance incentives). RIT Capital's use of specialist third-party managers means that its "all-in" expenses are higher than most of its peers. However, we believe that the company's industry connections are crucial to its impressive track record.

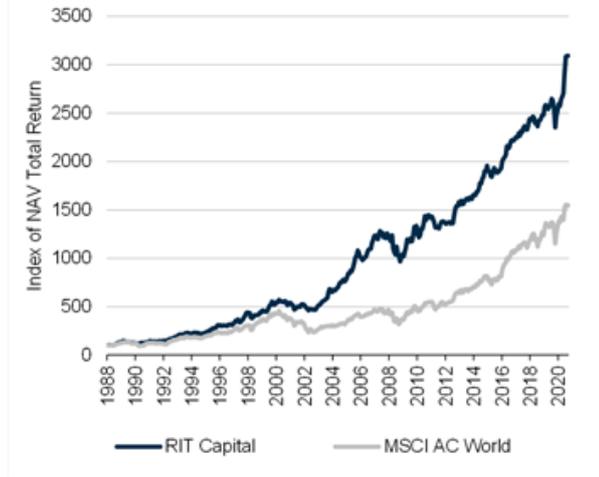
Manager Outlook: Francesco Goedhuis (CEO) and Ron Tabbouche (CIO) believe that are multiple plausible potential outcomes for markets, reflecting the balance between the pandemic's impact, the roll

out and efficacy of vaccines, as well as government and central banks' policy responses. There is potential for volatility given the *"degree of optimism"* that is embedded in many asset prices about the success of the vaccination programme. Inflation is also concern. The managers are therefore likely to continue with modest equity exposure, and have *"undertaken some de-risking of some more frothy areas"* which we understand includes focusing the technology exposure on private investments, structured with asymmetric payoff profiles, whilst been wary of high valuations of listed software stocks. In addition, the manager has been focusing on high-quality stocks that can deliver consistent growth, which are trading at more attractive levels than both high-growth companies and cyclicals which have been bought for the recovery trade.

Numis Views: 2020 was a strong year for RIT Capital Partners, with the fund delivering outperformance of both its benchmarks, despite having modest equity market exposure. Encouragingly the fund's long-term structural themes including healthcare, technology and domestic China contributed strongly. 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. It is differentiated from most Investment Companies by being self-managed, but also by its active management of both equity and currency exposure. Since inception in 1988, it has delivered an attractive return profile, participating in 73% of market upside, but only 38% of market declines. This has resulted in the NAV total return compounding at 11.2% pa, significantly ahead of global equity markets - the MSCI AC World and FTSE All Share have both delivered annualised Sterling total returns of 7.9%.

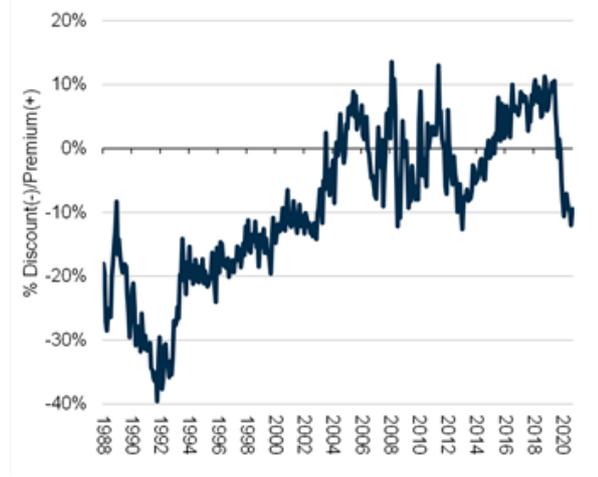
RIT Capital (£3.3bn market cap) remains our core long term recommendation in the Global Investment Companies sector. We believe that the fund's emphasis on capital protection fits well with the risk tolerance of many private investors. In addition, we believe that the team, supported by its connections to leading third-party managers, is well placed to exploit opportunities that arise across a range of asset classes on a global basis. The executive team have now been in place for 10 years and have been able to utilise their relationships built over that period during last year's volatile markets. RIT Capital is trading at a 9% discount to the last published NAV at 31 January whilst the majority of the private investments held at 30 September valuations. We believe this offers an attractive buying opportunity.

RIT Capital - NAV Total Returns since Listing



Source: Datastream

RIT Capital - Long Term Discount History



Source: Datastream