

# Numis

## Numis Listed Private Equity News - Numis Sales Desk

02 August 2022  
 By James Glass

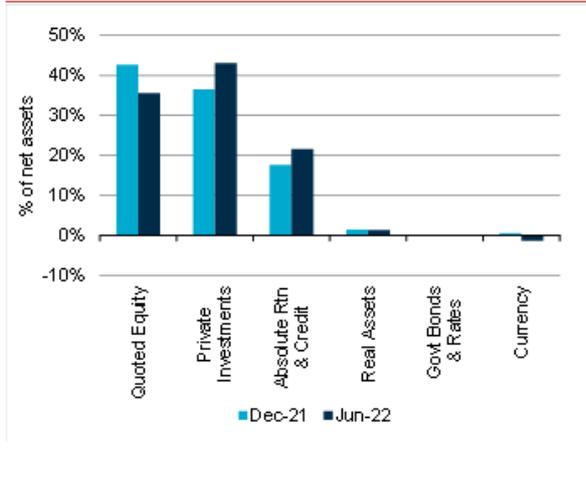
### RIT Capital\* – Interims

RIT Capital has released its June 2022 Interims this morning, although the June NAV of 2530p was released last month. However the results provide far more colour on the fund’s performance and portfolio.

RIT Capital Partners’ NAV was down 8.8% in the six months to 30 June versus a 14.7% fall for the MSCI AC World Index (50% in Sterling, 50% in local currencies) and 6.2% for the fund’s absolute return target of CPI plus 3%. The shares are currently trading at 2,510p, down 8.1% YtD versus a 9.5% fall for the benchmark index, and trade at a c.1% discount to the June NAV.

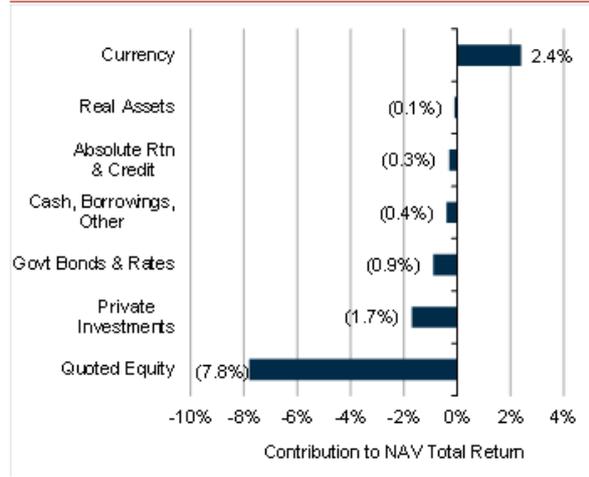
The key drivers of performance in H1 2022 included the fund maintaining amongst its lowest net quoted equity exposures in a decade, averaging 38% over the period. The quoted equity portfolio performed broadly in line with markets, whilst the private portfolio was impacted by volatility in equity markets, particularly US technology. The absolute return and credit portfolio was broadly flat, whilst the portfolio’s non-Sterling currency exposure was the main positive contributor.

RIT Capital - Exposure by Strategy



Source: Company data

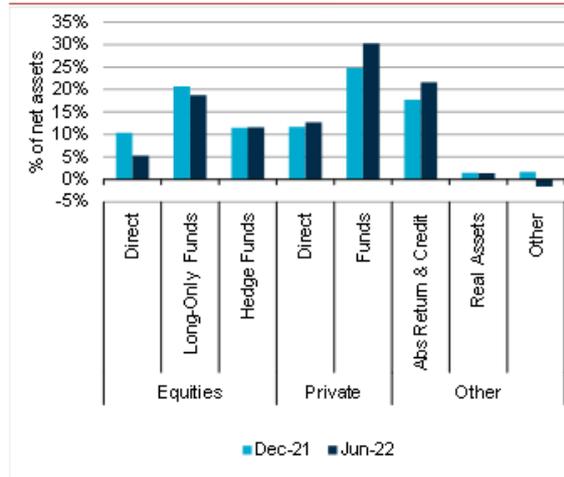
RIT Capital - Contribution by Strategy



Exposure to equities is through a combination of long-only funds (18.7% of net assets), direct equities/co-investment (5.3%), and hedge funds (11.6%). In terms of performance, growth assets and exposure to Chinese markets were the main detractors. In contrast, Japanese and reflationary exposures outperformed. Over the last 18 months, the managers have shifted from growth towards a mix of reflationary and defensive assets, which continued during H1 2022. That said, they are reluctant to shift the portfolio further towards cyclical/reflationary stocks which tend to be disproportionately impacted by recession risks, and they are therefore maintaining a balance of value and growth. Interestingly, two Consumer Staples businesses, Diageo and Kraft Heinz, now feature amongst RIT’s largest direct holdings. Two of RIT’s core long-term structural themes are China and Biotech. The Chair

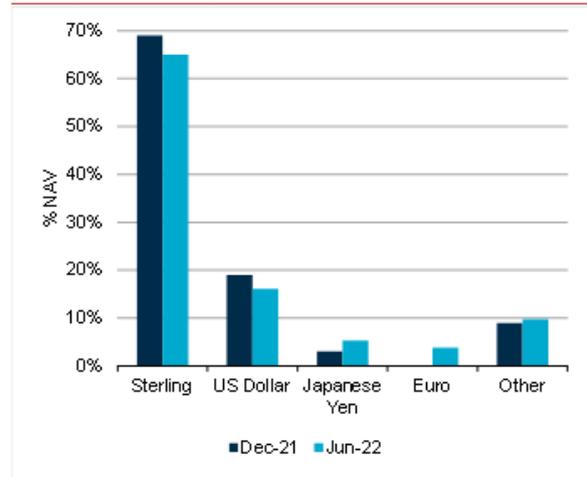
notes that time was invested to “reassess the validity of the underlying investment theses”, concluding that the managers remain supportive of the long-term prospects, indeed both outperformed in June.

RIT Capital - Exposure by Strategy



Source: Company data

RIT Capital - Currency Exposure



Source: Company data

Private Investments represent 43.0% of net assets, with 30.3% invested in third-party funds and 12.7% in direct holdings. The direct portfolio is revalued on a six-monthly basis (in absence of material valuation events) by the Valuation Committee whilst the private fund investments are determined using the General Partner’s (GP) valuations which is currently 95% by value at 31 March. The overall portfolio was down for the period, reflecting multiple compression in listed markets, although many of RIT’s underlying companies continued to generate robust operating performance notwithstanding market volatility. Indeed Motive (previously KeepTruckin’) and OneFootball saw funding rounds and higher valuations, providing some resilience.

Absolute Return & Credit: This portfolio proved resilient to the equity market downturns, despite the widening in credit spreads, as the manager had deliberately reduced credit sensitivity.

Dividend: The Board intends to pay total dividends of 37.0p in 2022, an increase of 5.0% (1.75p) over the previous year. A dividend of 18.5p (17.625p) was paid in April, and a second interim dividend of 18.5p will be paid on 28 October (ex-date 6 October). This represents a prospective yield of 1.5%.

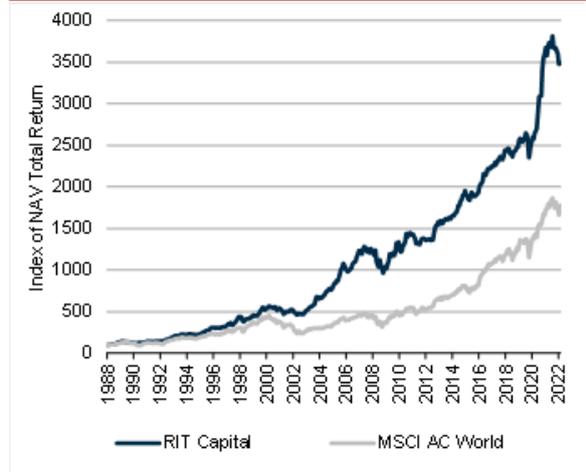
Buyback : RIT Capital sought to minimise volatility for shareholders, buying back shares accretively when they were trading on a high single-digit discount. In H1 2022, 65,000 shares were bought back.

RIT Capital Partners (£3.9bn market cap) 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 76% of market upside, but only 40% of market declines. This has resulted in the NAV total return compounding at 11.0% pa, significantly ahead of global equity markets - the MSCI AC World and FTSE All Share have delivered annualised Sterling total returns of 8.4% and 7.0%, respectively.

The fund remains one of our core long term recommendation in the Global Investment Companies sector. We believe that its emphasis on capital protection fits well with the risk tolerance of many private investors and over the last five years, RIT has generated NAV total returns of 54.0%, outperforming the MSCI AC World Index and CPI+3% which have risen 43.4% and 36.1% respectively despite having substantially lower average net quoted equity exposure. 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. We believe the Chair’s

comments regarding reassessing the investment theses around RIT's core themes of China and Biotech to be comforting to shareholders.

**RIT Capital Partners - NAV Total Returns since Listing**



Source: Datastream

**RIT Capital Partners - 10 Year Discount History**



Source: Datastream