



RIT Capital's first half goes bang with 9% in Coupang

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RIT Capital Partners (RCP), the Rothschild family-backed global investment trust, has rebounded from the pandemic crash with an impressive 19% first-half return. The performance was boosted by an unusually big holding in Coupang, Asia's answer to Amazon.

The £4.3bn technology-weighted fund disclosed in March that it had made an estimated 222% return on its private equity investment in Coupang when the company floated in New York at \$84bn (£60bn), up from a reported \$9bn valuation in 2018 when RIT first invested.

Half-year results released yesterday revealed that as a result of this stunning growth, the famously balanced multi-asset fund held 9%, or £381m, of net assets in the Softbank-backed South Korean e-commerce giant at the end of June, up from 3.9% a year ago.

At its listing price of \$35, Coupang generated 5% of the 13% return RIT Capital achieved from its unquoted investments in the six months to 30 June, before being reclassified as a quoted investment when its shares rose to \$41.82.

RIT said its quoted investments grew 6.1% with a 1.6% return from credit funds lifting overall net asset value (NAV) by 18.3% to £27.11 per share. With dividends included, the total underlying return was 19.1%, once small declines in real assets such as gold and currency movements were taken into account.

Is the big stake hedged?

The Coupang stake is nearly three times the size of the fund's next biggest investment, HCIF Offshore, a hedge fund run by Baker Bros Advisors in the U. It is a level more commonly associated with Scottish Mortgage (SMT), its higher-octane global rival, which has previously been happy to hold 10% or more in growth stocks such as Amazon or Tesla and also invests extensively in pre-flotation companies.

Coupang, in which RIT co-invested with another fund manager, is also by far the biggest percentage holding RIT Capital has had since 2010. According to its annual reports, the investment trust typically takes positions of between 1% and 5% in its favourite funds and companies.

This could raise surprising questions about the level of stock-specific risk being taken on by fund managers Francesco Goedhuis and Ron Tabbouche at J Rothschild Capital Management, given their goal of delivering equity-type returns with reduced stock market volatility.

However, analysts at Numis Securities, a corporate broker to the trust, said that RIT's overall stock market exposure remained comparatively low at 46%, though up from 43% last year. They indicated the fund managers could also have hedged, or reduced, the large exposure to Coupang through derivatives or other investments.

Numis said: 'The manager highlights hedging as "a core feature" of its approach, focusing both on macro positions as well as individual stocks, funds or themes, where exposure can be moderated without having to sell the underlying positions.'

Founded in 2010 by chief executive Bom Kim, Coupang (pronounced 'coo-pong') offers same-day and next-morning delivery of groceries and general goods as well as prepared foods through Coupang Eats and video streaming through Coupang Play. In May, it reported a 63% surge in first-quarter turnover with net revenues per active customer up 44% to \$262. The number of active customers leapt by 21% compared with the previous year to 16 million.

According to Refinitiv data, Japan's Softbank owns 36% of Coupang. Fund managers BlackRock and Baillie Gifford own 2.5% and 2.3%, respectively, with JRCM owning 1%, or 16.3 million shares, in March.

Coupang shares have drifted down to \$36.74 since the flotation as sentiment to tech stocks has cooled.

Robinhood investment

Despite this, RIT fund managers remain keen tech buyers, investing £29m in Robinhood as the online stock broker pursues a \$35bn (£25bn) flotation this year, as well as £50m in rival Webull and £21m in US healthcare digital record platform Epic Systems.

In a statement, Francesco Goedhuis, J Rothschild Capital Management's chief executive, and Ron Tabbouche, its chief investment officer, said they needed to remain 'vigilant' after the good results of recent years.

'Experience suggests that when there is a widespread consensus, investors can often get trapped in a false sense of security and let their guard down. As we emerge from the most serious public health crisis in modern times, with systemic market uncertainties remaining, this is not the time to relax,' they said.

RIT Capital shares have risen nearly 3%, or 75p, to £26.30 today, halving their discount to around 3% to Numis's latest estimate of NAV per share of £27.19. The shares have advanced more than 50% in the past year and are up 140% over 10 years, beating the 96% return of the FTSE All-Share but well behind the 218% of the MSCI All Countries World index.