



RIT Capital – Genuine Value on Offer

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By James Glass

RIT Capital (£3.2bn market cap) has reported its December NAV being 2292pps, which is more than a 6% or 133pps higher than the November NAV. This compares to a 3.1% rise for the MSCI ACWI (50% £, 50% local) in the month.

For 2020 as a whole, RIT has recorded a NAV total return of 16.4%. This NAV performance exceeds the MSCI All Countries World Index (50% Sterling) which increased by 12.7% and RIT KPI of RPI + 3% of 4.2%.

Helpfully, RIT has highlighted where the contributions have come from within the portfolio. RIT has seen strong performance from its quoted equities which broadly are exposed to long-term structural themes such as China and healthcare; whilst RIT's unquoteds are well positioned to benefit from tech trends in Asia and the US and will be marked now at December. There was also contributions from the diversifiers within the RIT portfolio too such as absolute return and credit and real assets.

RIT's share price finished 2020 broadly where it started it. Of course, it would be wrong for me not to appreciate that there has been volatility along the way particularly as it became clear that the pandemic was unfortunately spreading further across the globe in late March, though RIT's cautious stance and diversified approach did provide some protection from the full extent of the falls.

Today's update from RIT is welcoming for several reasons. Of course, the NAV performance is strong and once again highlights the genuine value on offer given the stock price. However as one knows RIT only releases monthly NAVs and historically these have only contained the previous and current NAVs. As such, we very much welcome today's development to include comparison analysis and some commentary of the drivers within the portfolio. These follow on from RIT buying back some of its shares in Q4 last year. Here's hoping that these developments will continue, as well as the performance of delivering returns while protecting shareholders' capital from the full impact of falling

markets. I think RIT Capital, rightly or wrongly, suffers from a problem of “perception vs reality” as evidenced by the current discount. Let’s hope that going forward that the two become the same!

The Index is up 1.2% YTD2021, leaving RIT trading on a c.12% discount to our estimated NAV (the share price is down 0.7%). I expect RIT to be a good market today and see that discount narrow in over time.

RIT will report its Annual Results in early March.