



RIT Capital – Finals to 31/12/21: NAV TR +23.6% as Private Investments perform strongly; Dividend increased +5.0% but effectively a return of capital

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By Iain Scouller

Stifel View: This was another impressive year of returns from RIT, with the NAV +23.6%, with returns boosted by Private Investments with the Coupang listing being especially helpful. With equity markets being quite difficult at present, we think RIT provides something different with its multi-asset approach. It is also worth bearing in mind that the NAV has now participated in 74% of market upside but only 38% of market declines since the fund's inception. The dividend is increased by 5% to 37p for 2022, but it should be noted that this is effectively a return of capital given the revenue EPS was negative -11.0p. We retain our Positive recommendation. (Analyst: Iain Scouller)

Performance: NAV TR +23.6% vs MSCI All Country World Index +20.0%. Outperformance was achieved through a diversified approach to portfolio construction with core categories contributing to performance. There was exceptional performance from the private investments, including Coupang's IPO and more widespread gains across investments that focused on the digital transition. At 31/12/21, private Investments were 36.5% of NAV.

Return attribution: The contributions from the different asset classes were: Private Investments +22.4%; Absolute Return & Credit +2.1%; Real Assets -0.1%; Government Bonds & Rates +0.3%; Currency -0.8%; Liquidity, Borrowings and other -1.5%. The non-equity 'diversifiers' played an important role, including healthy returns from the absolute return and credit portfolio which had low correlation to markets. Positive contribution from the quoted equity book led by holdings, which benefited from a reflationary environment, though China and biotech funds gave back some of their stellar returns of 2020.

Equity exposure: The fund had moderate net quoted equity exposure averaging 43% over the year.

Dividend increased but wholly uncovered: The revenue EPS was -11.0p (2020: -0.8p). The total dividend was 35.25p. In 2022, the Board intends to pay a dividend of 37.0p, a 5.0% increase.

Leverage: At 31/12/21 leverage was 6.1% of NAV vs 4.4% at 31/12/20.

Outlook: The managers say: "At times like this, we approach every new investment with caution - being selective in our allocations to those investments we feel offer appropriate margins of safety, and passing on those which don't. It is a time when the importance of our portfolio construction cannot be overstated. We will continue to try to balance our portfolio carefully to ensure that the themes and risks are appropriately weighted and reflected in the NAV.