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RIT Capital Partners outperforms equity markets in 2018 results

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RIT Capital Partners outperforms equity markets in 2018 results – RIT Capital Partners has released its results for the 2018 year. In summary, the NAV per share returned 0.8% in total return terms, which outperformed equity markets. Their investments beat RIT's equity index benchmark (the MSCI All Country World Index in sterling and local currencies) by a little under 7%. Total net assets were £2.8 billion at the end of last year. RCP's dividends paid in 2018 were up 3.1% totalling 33p per share. However, its share price total return was -1.0% for the year.

RIT Capital Partners was successful in a year where all major asset classes had negative returns. They were helped in doing this by keeping their asset exposure at a lower level, while holding more cash than usual. This defensive portfolio position combined with an emphasis on the preservation of capital led RCP to an impressive year.

Some words from Lord Rothschild, the chairman of RIT Capital Partners said *"2018 was the most difficult and treacherous year for investors since 2008, with negative returns in all major asset classes. In this context, we are pleased to be able to report that we delivered on our primary long-term aim of preserving shareholders' capital, with an increase of 0.8% in your company's net asset value per share (including dividends). We were able to deliver this return in part by having reduced quoted equity exposure in advance of a fourth quarter which saw global equity indices fall by 13%. Our private investment portfolio made positive returns, as did credit and bonds. Our investments in Asia, however, suffered, in particular China, whose stock market fell by some 25% during the course of the year. Nevertheless, we remain committed to the region believing in its future prospects.*

In our half-yearly report last year, I commented that, notwithstanding broad-based economic growth and low unemployment, it was not an appropriate time to add to risk. The dangers of holding assets inflated by low interest rates and quantative easing are now visible to all. Throughout the year therefore we managed our asset allocation to keep net quoted exposure towards the lower levels of our historical ranges with higher levels of cash than usual."

His statement also highlights the contribution from private investments and additions to government securities and gold – "*Timely additions to government bonds and gold benefitted from 'flight to safety' flows towards the end of the year. The absolute return and credit portfolio held its ground, even with the downdraft in credit markets. Our currency allocations profited from the rally in the US dollar.*

Our private investments contributed significantly to performance, both directly and through third-party managers. For example, in 2016 we made an initial investment alongside BDT Capital Partners into Acorn – a holding company for global coffee businesses – and we increased our investment in mid-2018 to support the merger of its Keurig business with Dr Pepper. The merger was well received by the market and the valuation of our interest has increased accordingly. In April 2018 we invested in Coupang, the South Korean online consumer business. Since then the company has benefitted from a *sizeable new investment from Softbank at a significant uplift to our earlier investment. Our third-party managers, in particular ICONIQ and Thrive, made a number of profitable investments."*

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