

RIT Capital Partners plc

Significant investment outperformance of both RIT's reference hurdles

RIT Capital Partners plc today published its results for the year ended 31 December 2020.

Financial Highlights:

- Net Asset Value per share¹ (NAV) total return of 16.4% for the year
- NAV per share of 2,292 pence at 31 December 2020
- Significant outperformance of both reference indices – absolute and relative
- Growth in net assets in 2020 of ~£500 million (before dividends)
- Total net assets stood at almost £3.6 billion at year end; a new all-time high
- Share price ended the year at 2,065 pence

Performance Highlights:

- The portfolio generated meaningful outperformance in 2020, following a year of healthy absolute returns in 2019 and the successful preservation of capital during the global market declines of 2018
- Outperformance was achieved through a diversified approach, successfully producing distinctive sources of return
- Moderate net quoted equity exposure averaging 43% over the year
- Strong performance from the quoted equity book, particularly through assets exposed to long-term structural themes including healthcare and China
- Significant contribution from private investments, which were well positioned to benefit from technology trends in the US and Asia
- The non-equity 'diversifiers' played a useful role, including steady returns from the absolute return and credit portfolio as well as helpful contributions from the real assets portfolio
- The main headwinds comprised assets with a more cyclical bias, as well as mark-to-market increases in RIT's fixed-rate loan note liability

Dividends and Buybacks:

- Dividends paid in April and October 2020 totalling 35 pence per share
- The Board intends to pay a dividend of 35.25 pence per share in 2021 in two equal instalments, in April and October. This represents an increase of 0.7% over the previous year
- The Company bought back shares at a discount during the last three months of the year, benefiting shareholders; and intends to continue to take the opportunity to selectively purchase shares in the market when it judges that doing so is beneficial

Summary:

- Over the past three years, NAV total return of 31.5% represents an outperformance of both RIT's reference indices, delivering equity type returns with less risk. Three-year outperformance of equity markets was achieved with significantly less volatility and moderate net quoted equity exposure of 44%
- Over the past five years, RIT's net assets have grown by £1.4 billion (before dividends); since inception, RIT has now participated in 73% of market upside but only 38% of market declines
- Over the same period, total shareholder return has compounded at 11.7% per annum compared to the ACWI² of 7.3%
- £10,000 invested in RIT at inception in 1988 would be worth ~£366,000 today (with dividends reinvested) compared to the same amount invested in the ACWI which would be worth ~£99,000

¹ Diluted NAV per share with debt at fair value.

² The ACWI refers to the MSCI All Country World Index and is calculated using 50% of the index measured in Sterling and 50% measured in a Sterling hedged ACWI.

Commenting, Sir James Leigh-Pemberton, Chairman of RIT Capital Partners plc, said:

"I am pleased to report...RIT's net asset value per share ended the year at 2,292 pence, representing a NAV total return for the year (including dividends) of 16.4%. This compares to the Company's two principal KPIs for investment performance of RPI+3.0% per annum and the ACWI which were 4.2% and 12.7% respectively...

...it is pleasing to see a broad spread of strong results across the portfolio, with all of the key asset classes making a positive impact. These included allocations designed to capture long-term structural trends within our public and private positions, and those that target less correlated areas such as absolute return and real assets. The performance drivers also demonstrate the importance of our network of relationships which enable us to identify attractive investments, notably within the fast-evolving Chinese and other Asian economies, and to allocate funds to exceptional external managers...

Our objective requires an approach to portfolio management which reflects a subtle balance between caution and opportunity. Caution has been and will continue to be one of our core watchwords, but we also recognise that market stresses provide opportunities for the astute deployment of capital, as we saw in March and October. The privilege of loyal shareholders and a permanent capital base allows us to take a long-term view, and to act decisively where we see fundamental value and the potential to deliver long-term growth in shareholders' capital."

Commenting, Francesco Goedhuis, Chairman and Chief Executive Officer of the Company's Manager, J. Rothschild Capital Management Limited (JRCM), and Ron Tabbouche, Chief Investment Officer of JRCM, said:

"In an unprecedented year, with global output estimated to decrease by 5% and extreme market volatility, we are delighted to have delivered a NAV total return for the year of 16.4%, outperforming both of our reference hurdles...

This year represented the ninth consecutive year of positive returns for the portfolio, including 2018 when global equity markets and many funds experienced negative performance. A healthy participation in market rises while shielding the portfolio from the worst excesses of market sell-offs is a hallmark of our strategic aims. As a result of this favourable asymmetric return profile we have been able to deliver equity-type returns with considerably less risk...

In terms of asset allocation, we deployed relatively modest levels of market exposure, with net quoted equity averaging 43% of NAV. As is often the case, it was where this exposure was deployed, rather than the aggregate level, that proved more important for returns...

As for 2021, we believe that financial markets will continue to reflect the balance between the pandemic's impact, the roll out and efficacy of the vaccines, and government and central banks' policy responses...

Our approach in this regard is to use thoughtful portfolio construction and a security selection process focusing on assets with asymmetric outcomes. We are likely to continue with our modest quoted equity exposure and diversified themes, and have undertaken some de-risking of some of the more frothy areas where we see risks of overstaying our welcome. Ultimately we will seek to continue to reinforce our approach which worked so well in 2020 – namely our belief that robust performance can only be driven by a resilient focus on our long-term convictions, excellent sourcing of investments, and a combination of discipline and agility around our portfolio construction."

ENQUIRIES:

Brunswick Group LLP:

Tom Burns: +44 (0) 207 404 5959

About RIT Capital Partners plc:

RIT Capital Partners plc is an investment company listed on the London Stock Exchange. Its net assets have grown from £280 million on listing in 1988 to almost £3.6 billion at year end. Lord Rothschild and his immediate family interests retain a significant holding.

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