28 February 2023

RIT Capital Partners plc

Results for the year ended 31 December 2022

RIT Capital Partners plc today published its results for the year ended 31 December 2022.

Summary:

- 2022 was one of the most difficult years for financial markets for more than a decade, and the first one in 150 years where US equities and government bonds both lost more than 10%
- Our corporate objective and our investment approach are both long term in nature
- Although our net asset value per share (NAV) total return for the year was down broadly in line with global equity markets, we continued to outperform over three and five years. Our three-year NAV return of 24.8% compares favourably to the MSCI ACWI at 17.7%, and our five-year return of 40.9% also outperformed the index at 35.5%
- Over the longer term, our 10-year return of 140% compares favourably against many alternatives. Similarly, since RIT's inception, the NAV has compounded at almost 11% per annum, compared to the ACWI at 7%
- This long-term success is attributed to maintaining a consistent approach. We combine active management and careful portfolio construction, with diversified and disciplined investment selection to target healthy returns over the long term and through the cycles
- The Board has approved an increase in dividends for 2023, and expects to buy back shares accretively when in shareholders' interests

Financial Highlights:

- NAV of 2,388 pence at 31 December 2022[1]
- NAV total return of -13.3% for the year, broadly in line with the ACWI at -12.9%
- Share price ended the year at 2,125 pence representing an 11.0% discount

Performance Highlights:

- Equity markets saw widespread declines over the year, with the S&P 500 down -18%, the NASDAQ down -32% and the FTSE 250 -17%. Government bonds also suffered, with long-term US bonds down -29% and UK bonds -40%
- Our quoted equities and private investments saw declines, partially offset by gains from currency and with stable returns from absolute return and credit
- Private investments remain a key feature of the overall approach and have cumulatively added around a 26% contribution to the NAV over the last three years. This portfolio is widely diversified across sectors and styles, with many investments showing strong performance, and the majority of the largest direct investments profitable
- Outside of private investments, proactive portfolio management helped mitigate losses: maintaining low quoted equity exposure, and with well-timed shifts to more value and reflationary assets. Key performers included our exposures to Japanese and US value stocks, as well as one of our core credit managers. Weaker performance came from China, biotech and one of our external macro funds, which was redeemed
- Returns benefited from ensuring a meaningful proportion of the currency exposure was outside of a weakening sterling

Dividends and Buybacks:

- Dividends paid in April and October 2022 totalling 37 pence per share
- The Board intends to pay a dividend of 38 pence per share in 2023 in two equal instalments, in April and October. This represents an increase of 2.7% over the previous year
- Over the year, the Company continued to buy back shares accretively

[1] The final audited NAV per share is unchanged from the preliminary unaudited NAV per share published on 7 February 2023.

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

"2022 was the most difficult year for financial markets for more than a decade. The global economy was affected by significant supply shocks, with particularly sharp rises in energy and raw material prices… In financial markets almost all asset classes saw declines. The S&P 500 and the NASDAQ closed the year down -18% and -32% respectively, while Emerging Markets recorded a loss of -16%, Europe -10% and the FTSE 250 -17%... Furthermore, these year-on-year figures, stark though they are, do not tell the whole story of 2022, which saw significant shifts in investor sentiment and money flows at different points of the year, resulting in elevated levels of volatility…

Our NAV per share was not immune to the market declines, and we ended the year at 2,388p per share… While any decline in NAV is uncomfortable, it is important to restate that our aims and objectives are long term. In order to achieve them, we must ensure that we have enough capital deployed in those areas which will support future growth, while aiming to mitigate as far as possible participation in down markets. This we seek to achieve by taking a holistic and careful approach to portfolio construction, holding a diversified portfolio of assets, including those which are not typically correlated with equity markets, and which, through the cycles, are capable of generating healthy returns… we believe that this approach remains the most effective means of achieving our corporate objective over the long term.

Indeed, over the last 10 years, our NAV per share growth (including dividends) was 140%. Equally, over more recent years, incorporating both up and down markets, our NAV has grown by 24.8% over three years compared to 17.7% for the ACWI and 27.5% for CPI plus 3%. And over five years, our NAV total return was 40.9% compared to 35.5% for the ACWI, and 39.7% for our inflation index. Since inception, our share price total return has averaged 11.2% per annum against markets of 7.0%.

A key driver of RIT's long-term track record has been private investments, which, whether direct investments or commitments to funds, have always been an essential part of our portfolio… Over 2020 and 2021 private investments added around 34% to total NAV; it is this growth in their value which has driven the increased proportion of NAV which they represent. In 2022, the sharp correction in public markets, and in particular tech markets, has meant that we have written down a portion of these significant gains… However, on a three-year basis, we estimate that our private investments added approximately 26% to total NAV – a strong return, and against the backdrop of both positive and negative years for markets…

While private investments are important, they represent only one part of our diversified multi-asset portfolio which is constructed and managed by JRCM on a holistic, top-down basis… Throughout 2022, your Board continued to review the strategy and portfolio composition in the context of our unchanging corporate objective. The fundamentals of the multi-asset diversified approach, and our long-term aims, have not altered. We continue to believe that, notwithstanding the declines we saw in 2022, this remains the right approach for our shareholders and is likely to generate the superior returns through the cycles that RIT is renowned for producing…

While these are challenging markets, we have managed through them before, and we remain confident that our approach is the right one for RIT's long-term performance and for our shareholders."

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 years such as this, investing through market cycles can feel uncomfortable, but we remain confident in our long-term investment approach, which is supported by our longer-term performance. Over three years, our NAV has outperformed our equity index, and over five years, it has outperformed both reference hurdles, while maintaining lower volatility than the market. Since inception, we have participated in 74% of the monthly market increases but only 41% of the declines.

It may well be that we are witnessing a reversal of a decade's material outperformance of financial assets over the real economy. Investors will likely need to adjust their expectations to the very different environment of a higher cost of capital, labour and raw materials, and with no safety net provided by central banks…

However, we also believe the macro uncertainty… combined with the risk of 'financial accidents' can create compelling bottom-up liquid opportunities in both equities and credit markets. We will follow our long-standing disciplined approach, focused on fundamentals-driven investing while looking for strategic openings which present themselves in such dislocated markets…
We believe that many high-quality companies in our private investment book as well as our quoted biotech exposure could benefit from the market taking a more discriminating view of long duration assets…

We are all shareholders in RIT and firmly believe that our tried and tested approach remains the best way to manage money over the long-term, balancing caution with deploying risk capital to ensure that investors' capital grows through the cycles. Over the last 10 years, our NAV per share total return of approximately 140% stands up well against other investments and often with considerably less risk. Even on a shorter time horizon, we believe our approach of combining capital preservation with capital growth is a powerful one. Indeed, if we consider the past 20 years of annual NAV returns, not only have we never lost money on a rolling three-year basis, but we have generated healthy growth averaging 10.2% per annum. It is this combination which sets us apart from the majority of other trusts."

ENQUIRIES:

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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 ~£3.7 billion at year end. Lord Rothschild and his immediate family interests retain a significant holding.

Since inception in 1988, RIT's NAV has participated in 74% of monthly market upside but only 41% of market declines.

Over the same period, the total shareholder return has compounded at 11.2% per annum compared to the ACWI of 7.0%.

£10,000 invested in RIT shares at inception would be worth £388,000 today (with dividends reinvested) compared to the same amount invested in the ACWI which would be worth £104,000.

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