HARGREAVES LANSDOWN

RIT Capital Partners - a good year to be cautious

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- NAV total return of 0.8% compared with a loss of 5.8% for the broad global stock market
- Managers remain focused on trying to protect wealth when markets fall
- They think a diversified portfolio is the best way to achieve this
- Board intends to pay a total dividend of 34 pence per share in 2019 – a year-on-year increase of 3%
- 2018 was a year to forget for a lot of investors.

Slowing growth in China, social unrest in Europe, chaos over Brexit, and a feud between the US and China have all been blamed for the market volatility we saw last year. Most major markets lost money and it ended up being one of the toughest years for investors over the past decade.

It wasn't all bad news though. RIT Capital Partners tends to thrive in these conditions and it held up fairly well. The trust invests in a broad spread of investments with the aim of preserving investors' wealth during the tough times, along with some long-term growth. It's unlikely to race ahead when markets rise quickly though.

The approach has worked well over the long run, though this isn't a guide to the future. There's quite a lot going on in the trust, but we like the fact it has a committed and experienced team looking after it. We think it's a good choice for a more conservative portfolio, or it could be used to form the foundation of a long-term portfolio.

Investors should note the trust is currently trading on a relatively high premium to its NAV of 8.1%.

Annual percentage growth

	Feb 14 - Feb 15	Feb 15 - Feb 16	Feb 16 - Feb 17	Feb 17 - Feb 18	Feb 18 - Feb 19
RIT Capital Partners PLC	21.0%	4.0%	24.0%	3.8%	6.4%

Past performance is not a guide to the future. Source: Lipper IM to 28/02/2019

A difficult year

The team behind the trust think 2018 was the most difficult year for investors since 2008. The share prices of many companies fell over the course of the year.

They kept the trust's exposure to shares relatively low throughout the year, at an average of 47% of the trust. They reduced this even further before the last few months of the year, when stock markets experienced some of their worst losses. This was a timely move, though this part of the trust still lost money.

The team took this as an opportunity to add to some of the worst-hit areas at lower prices. This includes investments in higher-risk emerging markets such as Asia, China and Latin America, which held back performance in the short term, but could boost long-term growth. They think this part of the trust could benefit as consumer spending and wealth picks up in the Asian and higher-risk emerging markets over the longer term.

Private investments – companies not currently listed on the stock market – contributed the most to performance over the year. Acorn, a holding company for global coffee businesses, and Coupang, a South Korean retailer, were notably strong.

Investments in absolute return funds and US government bonds also helped. So did the trust's use of different currencies. Increasing exposure to the Japanese yen and US dollar was helpful, for example.

They've also maintained relatively high exposure to sterling. The UK is unloved and unwanted at the moment but they think this provides opportunity. They've also invested in some UK companies that rely more on domestic, rather than overseas, spending to do well.

Stay diversified

The team think keeping the portfolio diversified is crucial in such an uncertain environment.

Stock markets have performed well without many setbacks over the past decade. They don't think there's much room for them to grow further from here, especially if company profits start to come under pressure.

They continue to focus on specific areas and companies they think still offer good value. The rest of the trust is invested in a variety of assets that could provide some resilience if markets hit a rough patch.

Gearing (borrowing to invest) can be used by the trust which adds risk and in certain situations performance fees can be applied. Potential investors should refer to the KID and latest annual reports and accounts for further details of the risks and charges.