INVESTMENT WEEK

Lord Rothschild: ‘we may well be in the eye of the storm’

Lord Rothschild, chairman of the RIT Capital Partners investment trust, has sounded a warning to shareholders on current market conditions, but remains confident the vehicle can identify investment opportunities in 2016.

In the £2.4bn investment company's half-yearly statement, the chairman of J. Rothschild Capital Management warned investors that "the climate is one where the wind may well not be behind us".

Since then, the trust has reduced its exposure to equities as markets fell and many companies reported disappointing earnings.

But Lord Rothschild remains cautious, telling his shareholders in the latest results for the year ended 31 December 2015 that global growth remains anaemic.

He said: "Not surprisingly, market conditions have deteriorated further. So much so that the wind is certainly not behind us; indeed we may well be in the eye of a storm.

"Our principle will therefore be to exercise caution in all things in the current year, while remaining agile where opportunities present themselves.

"Problems have a habit of creating opportunities and I remain confident of our ability to identify and profit from them during 2016.“

Over the year to 26 February, the trust has returned 4% versus its AIC Flexible sector average of 0.4%, according to FE Trustnet, and is trading at a 1.2% premium. Its NAV returned 8.1% during 2015, according to the latest results.

It reported a £187m growth in net assets before distributions during 2015, and intends to pay a dividend of 31p per share in 2016, which represents an increase of 3.3% from the previous year.

Lord Rothschild said: "I am pleased to report that 2015 has been a satisfactory year with a share price total return of 22.7% and a net asset value per share return of 8.1%.

"The results in large measure reflect the investment management and operating skills of the company's wholly-owned subsidiary, J. Rothschild Capital Management."

'The risks that confront investors are clearly considerable at a time when stock market valuations remain relatively high,' Rothschild said.

Rothschild notes there are some 'influential and thoughtful' investment managers who remain 'sanguine about markets in 2016 on the grounds that the US economy is in decent shape...to them the decline in markets may have more to do with sentiment than substance,' he said.

'[However] our view is that 2016 is likely to turn out to be more difficult than the second half of 2015. Our policy will be towards a greater emphasis on seeking absolute returns.'