

## **Lord Rothschild warns on geopolitical risks as RIT bolsters defensive strategies; Trust reduces equity and sterling exposure**

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Lord Jacob Rothschild, chairman of the £2.8bn RIT Capital Partners investment trust, has highlighted the importance of capital preservation during times of "anaemic" growth, geopolitical risk and the "greatest experiment in monetary policy in the history of the world".

In the investment company's half-yearly financial report, Rothschild (pictured) said investors are currently in "unchartered waters" as it is impossible to predict the impact of a low interest rate environment.

He said: "The geopolitical situation has deteriorated and the slowing down of economic growth will surely lead to problems.

"Conflict in the Middle East continues and growth remains anaemic, with weak demand and deflation in many parts of the developed world."

"In times like these, preservation of capital in real terms continues to be as important an objective as any."

As a result, the trust has increased its defensive strategies over the last six months to 30 June, including reducing its quoted equity exposure from 55% to 44%.

Sterling exposure on the trust was also cut in anticipation of a Brexit vote, from 47% at the end of last year to 34% by the end of June. It has now been reduced even further to around 25%, as the currency continues to suffer against a "generally unsettled UK political environment".

Following the rise in the dollar, the trust's managers saw opportunities in other currencies, as well as gold and precious metals - with exposure raised to 8% at the end of June.

But Rothschild said he remains concerned about global monetary policy and ever declining real yields.

He said: "The six months under review have seen central bankers continuing what is surely the greatest experiment in monetary policy in the history of the world.

"It is impossible to predict the unintended consequences of very low interest rates, with some 30% of global government debt at negative yields, combined with quantitative easing on a massive scale."

The trust benefitted from its defensive outlook over the period as it reported an AUM increase of £64m to a new all-time high of £2.6bn.

Its NAV rose by 3.6% over the six months to 30 June, although this was below the MSCI All Country World index return of 6.1% over the period.

Meanwhile, the trust's share price total return fell by 1.2%, but shareholders are due to receive a total dividend of 31p in October, which is a 3.3% increase on last year.

Over the last three years, RIT Capital Partners has returned 58% to 12 August, significantly outperforming both its MSCI All Country World benchmark and AIC Flexible Investment sector averages of 44% and 15.5% respectively, according to FE.

The trust is currently trading on a premium of 5.7%, compared to a 12-month average premium of 3.7%, according to Winterflood. It is 16.7% geared as at 30 June, compared with 12.1% at 31 December.