



RIT Capital Partners*

Lord Rothschild to stand down as Chairman: Business as usual

25 April 2019

- RIT Capital Partners (RIT) announced today at its AGM that, following several years of succession planning, Lord Rothschild will step down as Chairman and Director of the company on 30 September 2019, and will take up the role of President of RIT. At that time, Sir James Leigh-Pemberton will become Non-Executive Chairman of RIT.
- Importantly, Lord Rothschild reaffirmed his family ties with RIT and commented that they would “remain committed, engaged and significant RIT shareholders in the years ahead”. The family, which holds a 21.35% stake in RIT, will continue to be represented on the Board by Hannah Rothschild (Lord Rothschild’s daughter), who was appointed as a non-executive director in 2013 as part of the succession planning.
- Sir James Leigh-Pemberton paid tribute to Lord Rothschild’s “exceptional and dedicated leadership over many decades”, highlighting that his “drive, vision and strong values have helped make RIT one of this country’s most admired investment companies”.

Business as Usual

- We believe that RIT Capital is synonymous with Lord Rothschild as far as many investors are concerned. After all, he was the founder of the business and has been Chairman since the company listed in 1988. He has been responsible for shaping RIT’s investment approach which relies heavily on a close network with some of the world’s most highly regarded investors. He is also Chair of the Investment Committee of J. Rothschild Capital Management (JRCM), a wholly owned subsidiary responsible for RIT’s portfolio management. Furthermore, his family is also the largest shareholder in RIT. There will undoubtedly be a lot of publicity over the change in his responsibilities, and RIT’s share price is off 20p (1.0%) following today’s announcement to 2,080p.

- In reality, though, Lord Rothschild (who will shortly reach the age of 83) has been stepping back from his investment role for a number of years, having found a management team in which he has faith. RIT's recent Annual Report alluded to this, as the Chairman's Statement concluded with the comments that RIT benefits from "an impressive senior team" led by Francesco Goedhuis (CEO) and Ron Tabbouche (CIO), and "the way forward for JRCM is in good hands and secure".
- Ultimately, we regard today's announcement as a positive development for shareholders as it resolves any uncertainty over Lord Rothschild's future, and removes the threat that his family stake could be regarded as an overhang. As a result, RIT Capital (£3.26bn market cap) remains one of our core long term recommendations within the Global Investment Companies sector. We believe that the fund's emphasis on capital protection fits well with the risk tolerance of many private investors. In addition, we believe that the team, supported by its connections to leading third-party managers, is well placed to exploit opportunities that arise across a range of asset classes on a global basis. The current premium to NAV of c.7.5% remains high relative to history and this is a drawback for potential investors, in our view. However, we would regard any significant price weakness resulting from the announcement of Lord Rothschild's new role as a buying opportunity.

Well-Established Management Team

- The senior team at RIT has now been together for over six years, and day-to-day management responsibilities have been delegated to the current Executive Team since 2014. Most of the firm's key external relationships have already been passed on to the CEO/CIO. Francesco is responsible for the private investments and has established close links to a new generation of investors, including some of the leading VC investors in the US. Ron drives RIT's asset allocation and oversees RIT's investments in public equity and third-party funds. They are supported on the Executive Committee of JRCM by Andrew Jones (CFO) and Jonathan Kestenbaum (COO), and the business has an investment team of c.15 in total.

RIT Capital Partners – Current Management Structure



Source: Company data

- Lord Rothschild will remain President of JRCM after September 2019 and will also become President of RIT. This is an unusual role for an investment company, but we understand that he intends to maintain an active role in overseeing the company's investment strategy. However, he will no longer chair JRCM's weekly Investment Committee, with responsibilities passed to Francesco Goedhuis.

RIT's Board of Directors

- Sir James Leigh-Pemberton will take over as an independent non-executive Chairman of RIT on 30 September. He was appointed to the Board at today's AGM, and has a close relationship with Lord Rothschild, having previously served as a Director of RIT between 2004 and 2013. He began his career at Warburgs and thereafter moved to Credit Suisse, where he held a number of roles, including Chief Executive of the UK business. In 2013, Sir James stepped down from the Board of RIT and left Credit Suisse in order to become Chief Executive of UK Financial Investments (UKFI). Following the merger of UKFI and UK Government Investments, he became the Deputy Chairman of the combined entity. He was knighted in the 2019 New Year Honours.
- RIT has an extensive and experienced Board which is responsible for setting long-term strategic aims, and its ongoing business and investment strategies. Unusually for an Investment Company, Lord Rothschild is both Chairman of the Board and an executive Director. He also chairs the Nominations Committee, but the other four Board committees (Audit & Risk, Conflicts, Remuneration, and Valuation) are comprised entirely of independent non-executive Directors in order to devolve key areas of corporate responsibility away from the Chairman. In addition to Lord

Rothschild, the Board currently includes eight independent directors and two non-independent directors (including Hannah Rothschild).

- The Board is refreshed on a regular basis, and five new independent, non-executive directors have been appointed over the past two years. As highlighted above, Sir James Leigh-Pemberton was appointed to the Board at today's AGM, alongside Maggie Fanari (Director of Relationship Investing in London for Ontario Teachers' Pension Plan). Other appointments in the past two years include experienced investors Philippe Costeletos and André Perold, as well as Jeremy Sillem, former Head of Capital Markets for Lazard.

RIT Capital – Current Board of Directors

Position	Appointed	Background	Remuneration	Shares Held*
			In 2018 (£)	('000)
Lord Rothschild (Chairman) #	1988	Founder of RIT Capital, co-founder Global AM and St James's Place Capital	1,397,817	28,664
Michael Marks ~	Sep-04	Investment banking, former Co-Head of Merrill Lynch Global Equity business	48,500	10
The Duke of Wellington	Jul-10	Broad experience in banking and finance	56,000	114
Hannah Rothschild ~	Aug-13	Media career, Rothschild family representative	30,000	28,664
Mike Power	Jan-14	Accountant: Professor of Accounting at London School of Economics	47,087	0
Amy Stirling	Feb-15	Accountant: CFO of Virgin Group	48,782	2
Philippe Costeletos	Jul-17	Private investment, former Head of TPG Capital in Europe	38,713	0
Andre Perold	Apr-18	Managing Partner/CIO of HighVista Strategies, Board member of Vanguard Group	24,415	0
Jeremy Sillem	Apr-18	Managing Partner/founder of Spencer House Partners, formerly Bear Steans and Lazard	25,128	14
Sir James Leigh-Pemberton	Apr-19	Investment banking, ex CEO Credit Suisse UK, chair UK Financial Investments	n/a	n/a
Maggie Fanari	Apr-19	Investor for Ontario Teachers' Pension Plan	n/a	n/a

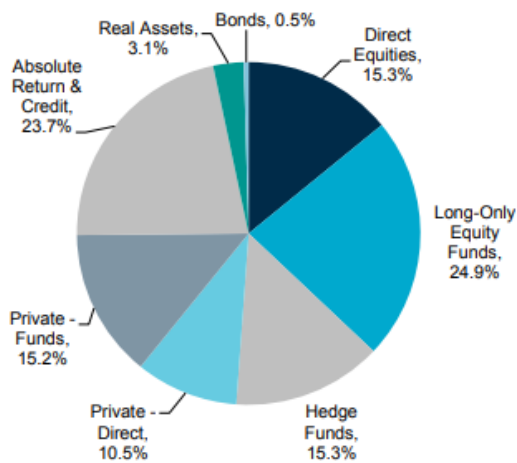
Note: directors ordered by date of appointment. # executive director. ~ non-independent directors. * Includes beneficial and non-beneficial share stakes. The majority of shares held by Lord Rothschild and Hannah Rothschild are in respect of the same shares. Source: Company & Numis Securities Research

Balancing Capital Preservation and Wealth Creation

- RIT's key objective is long-term capital growth while preserving shareholders' capital. Other listed funds have similar objectives, but we believe that RIT is a unique vehicle due to its:
 - Global unconstrained approach: RIT invests without the constraints of a formal benchmark, but over time it seeks to outperform both the MSCI AC World (50% Sterling, 50% local currency) and an absolute hurdle of RPI plus 3% pa.
 - Multi-asset mandate: RIT's asset allocation has an equity bias, but equity exposure can vary significantly over time, and the fund invests across multiple asset classes, including private investments, credit, macro strategies, and real assets. This approach differs from most other large trusts which always aim to be fully invested in quoted equities.
 - Network of external managers: The resources of RIT's in-house investment team are supplemented by utilising the expertise of a number of leading third-party managers who provide investment ideas and co-investment opportunities.

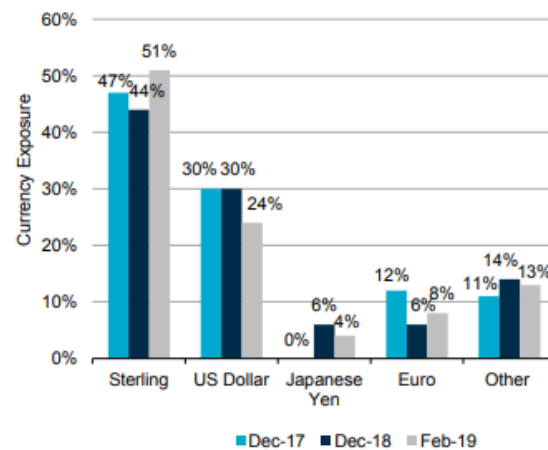
- Active currency/risk management: RIT is active in using derivatives to manage its equity/currency exposure.
- Truly long term approach: It can be argued that RIT has more in common with a family office than a traditional listed equity fund, with a focus on multi-year returns in order to preserve and grow wealth across the generations. RIT's structure means that the managers are not forced sellers of quoted stocks at times of market turmoil, while private investments are not constrained by the typical industry model of a limited life partnership.
- On the face of it, RIT's strategy has changed little over the past 30 years, combining thematic investing with individual securities, and private investments with public stocks. However, we believe that the current management team has adopted a more focused, higher conviction approach. In addition, the RIT network has become increasingly focused on managers with specialist industry/country expertise.
- At present, RIT's managers believe that we are within a challenging, uncertain environment where valuations of many asset classes have been supported by a long period of cheap money supply. As a result, the portfolio remains cautiously positioned with modest net quoted equity exposure of 43% which is towards the lower end of its historic range of 40-60%. The focus of new investment has been on long-term structural growth trends, notably domestic plays in emerging markets, biotech and selective private technology investments. On an opportunistic basis, the managers also seek to identify unique investments with independent catalysts (e.g. carbon credits was a successful theme in 2018). In addition, they see opportunities in uncorrelated absolute return and credit investments that are expected to deliver returns significantly above RIT's cost of borrowing.

RIT Capital Portfolio by Asset Type



Note: totals add to 108.5% as based on % net assets.
Direct equity weightings reflect notional exposure for positions held via swaps
Source: Company data as at 31 December 2018

RIT Capital - Currency Exposure

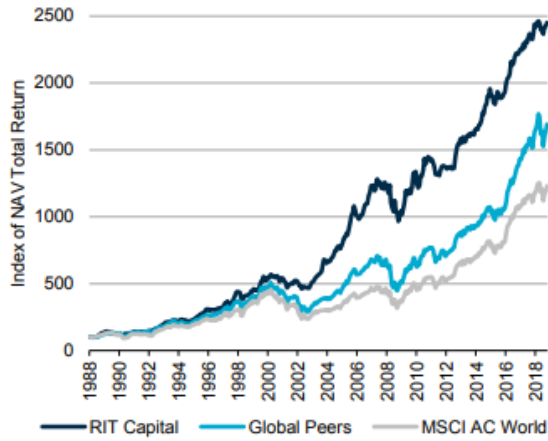


Source: Company data

Impressive Performance Record

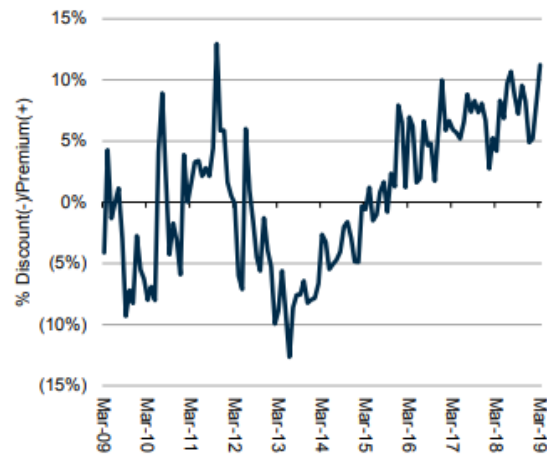
- RIT Capital has an exceptional long term track record through an unconstrained investment approach seeking to deliver long-term capital growth, whilst preserving shareholders' capital. It is differentiated from most Investment Companies by being selfmanaged, but also by its active management of both equity and currency exposure. Since listing in 1988, it has delivered an attractive return profile, participating in 75% of market upside, but only 39% of market declines. This has resulted in the NAV total return compounding at 11.0% pa, significantly ahead of global equity markets - the MSCI AC World and FTSE All Share have delivered annualised Sterling total returns of 9.6% and 8.5%, respectively.
- During 2018, RIT delivered an NAV total return of 0.8%, achieving one of the fund's key objectives to preserve investors' capital during a challenging year for markets when the MSCI AC World Index fell 5.8% (measured 50% in Sterling, 50% in local currencies). In 2019 ytd, performance has been strong in absolute terms, with our NAV estimate up 7.0% and the share price up 10.8% to last night's close. This return has lagged behind the rally in global markets (+14.8%), although this would be expected given the portfolio's low equity exposure.

RIT Capital - NAV total returns since Listing in 1998



Source: Datastream

RIT Capital – 10 Year Discount/Premium History



Source: Datastream

* Denotes that this company is a corporate broking client of Numis Securities.

Note: all prices, NAVs and discounts as at close of business at 24 April 2019 unless otherwise stated.