



## RIT Capital Partners - Unique Portfolio Positioned for Long Term Growth

By email on 31<sup>st</sup> May 2019

**RIT Capital Partners (RIT) seeks to achieve long-term capital growth whilst preserving shareholders' capital. This is achieved by investing across a range of asset classes through a high conviction, unconstrained approach. It is differentiated by the depth of the management's investor network which provides access to unique investment opportunities, as well as its active management of both currency and equity exposure. RIT has an exceptional record since listing in 1988, with NAV growth of 11.0% pa versus 8.5% pa for global equity indices, despite having a lower risk profile, participating in 74% of market upside but only 39% of market declines.**

We have published a detailed note on RIT which discusses its performance record, management structure, portfolio and investment approach. An overview is provided below, but **please click here for access to the full research report (50 pages): [Download RIT Capital.pdf](#)**

### Overview: A Unique Investment Vehicle

- **Clear Succession Plans:** Lord Rothschild will step down as Chairman of RIT on 30 September, and will be replaced by Sir James Leigh-Pemberton. Lord Rothschild founded RIT and has driven its investment strategy over the past 30 years. However, he has been increasingly stepping back from day-to-day management over the past few years, having found a team in which he has faith. Importantly, the Rothschild family, which holds a 21.4% stake, remains a committed long term shareholder.
- **High Conviction Investment Approach:** The Executive team, led by Francesco Goedhuis (CEO) and Ron Tabbouche (CIO), has now been together for six years. During this period they have refined RIT's strategy, adopting a more disciplined, higher conviction approach. They seek to find attractive opportunities across a range of asset classes, leveraging off an extensive global network of contacts, investing alongside managers with specialist industry/country expertise.
- **Cautiously Positioned:** RIT's portfolio currently has modest quoted equity exposure of 43%. The emphasis is on finding equities with an asymmetric return profile, and on exploiting long-term structural growth trends. Private investments are typically structured with some element of downside protection, while the fund also invests in uncorrelated Absolute Return & Credit investments.
- **Premium is High:** The shares are trading at a premium to NAV of 8%, and we believe there is an argument for RIT to issue shares to provide liquidity for buyers at a price closer to NAV. We believe that the fund's defensive growth mandate is likely to remain in favour with investors, although we recognise that a growing obsession with fund costs is a headwind. RIT's "all-in" costs in its KID are higher than its peers as it utilises the expertise of specialist third-party managers and makes active use of gearing to exploit investment opportunities. In our view, however, investors should focus on performance net of fees, rather than choose funds solely on the basis of fees.
- **Outlook:** The diversified nature of RIT's portfolio and its low equity exposure mean that the NAV is unlikely to keep up with equity indices during bull markets. On the other hand, the capital preservation benefits of RIT's approach came to the fore in 2018 when it achieved a positive NAV total return. We expect RIT to continue to deliver attractive risk-adjusted returns, and it is one of our core long term recommendations.

Kind regards

**Charles Cade**

*Note: RIT Capital Partners is a corporate broking client of Numis Securities*