

## Invest Alongside One Of The Most Famous Names In Finance With RIT Capital Partners

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### Summary

- RIT Capital Partners plc is an investment company led by Lord Jacob Rothschild.
- The company has a track record of solid above market performance.
- The investment strategy is aimed at minimizing risks and volatility while participating in market upturns.
- The focus of the portfolio is on diversified equity investments.
- Investors should, however, be mindful of the considerable exposure to Sterling that is attached to an investment in RIT.

RIT Capital Partners plc (OTCPK:RITPF) is a name that probably not so many have ever heard of. Its founder and chairman, on the other hand, is considerably more famous (well his family name, anyway): Lord *Jacob Rothschild*.

### Overview

When reading the name *Rothschild* surely the first association that comes to mind is that with banking. That is, of course, unless you are a wine aficionado (or wearing a tin foil hat for that matter, I guess). RIT, however, is not a bank but an investment company set up in 1961 under the name of *Rothschild Investment Trust* in order to hold investments outside the founding family's bank, *N.M. Rothschild & Sons*. Its headquarter is located in historic Spencer House at London's Dt. James's Place to this day. Following a conflict between Lord *Rothschild* and his uncle *Sir Evelyn Rothschild* - which led to the former leaving the bank's board and taking sole control of the investment trust - the company was renamed several times since 1980. It has been operating under the current name since 1988 when the company, then called J. Rothschild Holdings plc, demerged into J. Rothschild Assurance - nowadays St. James's Place plc (OTCPK:STJPF) - and RIT in its current form.

To this day Lord Rothschild and his direct family are the largest shareholders of the company, owning a stake of about 21 percent. RIT primarily acts to its fully owned and consolidated subsidiary J. Rothschild Capital Management which serves as RIT's manager. This subsidiary is led by CEO and chairman *Francesco Goedhuis* together with CFO *Andrew Jones*, CIO *Ron Tabbouche* and COO *Lord Kestenbaum*. An overview of RIT's team can be found [here](#).

### **Investment Strategy**

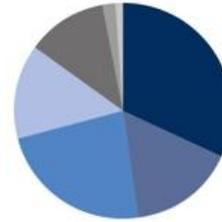
RIT's portfolio is spread across multiple asset classes, geographies, industries and currencies. However, equity investments - both listed and private - are at the core of the investments strategy.

Direct holdings of public equity accounts for usually in or around a range of 15 and 30 percent of total assets. Another 40 to 60 percent of the portfolio is invested with carefully selected external managers. It is RIT's expressed aim to protect against downturns and to minimize volatility whilst achieving "meaningful" participation in market upturns. A special focus point in that regard lies with active currency strategy.

Sterling does - purposefully as RIT is a British company - account for around half of the assets. Another quarter is held in US dollar with North America accounting for 29 percent of the portfolio. The graphic below gives an overview of the current asset allocation.

#### Asset Allocation (% of NAV)

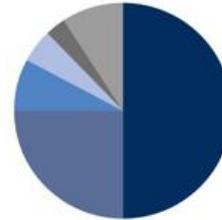
Quoted Equity - Long	32%
Quoted Equity - Hedge	16%
Absolute Return & Credit	23%
Private Investments - Funds	14%
Private Investments - Direct	12%
Real Assets	2%
Net Liquidity / Borrowings / Other Assets	1%
Other Investments	0%



#### Currency Exposure (% of NAV)<sup>3</sup>

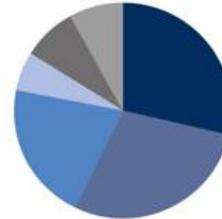
Sterling	50%
US Dollar	25%
Euro	8%
Japanese Yen	5%
Chinese Renminbi	3%
Other	9%

<sup>3</sup> Excluding currency options



#### Geographical Exposure (% of NAV)<sup>4</sup>

Global	29%
North America	29%
Emerging Markets	21%
Europe	8%
Japan	8%
United Kingdom	6%
Liquidity, Borrowings & Currency	0%
Other	-1%



<sup>4</sup> The above table excludes the notional exposure from derivatives. When factoring in the exposure from equity futures and equity swaps, the exposure to North America and Europe increases by 6% and 1% respectively, to Japan and United Kingdom both increases by 2%, and Emerging markets decreases by -1%.

*Asset allocation as of April 30th 2019; source: RIT Capital Partners plc*

## Performance

RIT does provide monthly factsheets which inform about the development of its portfolio and net asset value. This enables investors to better track its performance than if there were only the quarterly reports.

Since its IPO, the stock has significantly outperformed its chosen benchmark index, the MSCI All Country World Index (ACWI). Please note that the company calculates the benchmark using 50% of the index measured in Sterling and 50% measured in local currencies. From inception in 1988 until the introduction of a total return index in December 1998, the performance is based on that of the capital-only index.



Development of net asset value and relative performance; source: RIT Capital Partners plc



RIT's share price's relative performance; source: RIT Capital Partners plc

RIT owned net assets of GBP281 million at the time of its initial listing on the London Stock Exchange on August 1st, 1988. As of April 30th, it had GBP2,946 million (or 1,892 pence per share) in net assets. That amounts to nearly 8 percent of annual return. That figure notably does not yet include dividend payments. It has been paying a dividend every year since 1989. It usually pays an interim dividend in April and makes another payment in October rather than quarterly payments. In 2018, RIT paid a total dividend of 33 pence per share.

### Risks And Downsides

Despite what has been referred to above, there are a few risks and downsides which I would like to make readers aware of. First, there would be the general warning that - as I am sure most readers have heard or read many, many times over - past results are not indicative of future performance.

The stock is not exactly cheap either as it currently trades at a premium to net asset value. Historically, there have been times when it traded at a discount instead.

Furthermore, due to the company being highly exposed to Sterling, I would also caution that for non-British investors there is always a considerable currency risk. I believe this risk to be even greater at the moment given the ongoing uncertainty about Brexit and the impact this situation has or might have on exchange rates.

Lastly, Lord Rothschild is 83 years old and therefore plans to step down from his role at RIT in September. Succession plans have been in place for several years apparently and there are no intentions to sell his share in the company anytime soon. Yet, it always means the possibility of change - major or gradually - if a long-serving leader leaves his position. More so as it is the first and until now only leader in the company's existence in this case.

## **Conclusion**

RIT Capital Partners plc has a track record of solid, market beating performance. I find it a bit hard to assign it into a certain category of company. It certainly shows some traits of a family office, but probably less so than for example Caledonia Investments. It might as well be characterized as an alternative to a diversified investment fund. In a way it also offers the qualities of a well performing fund of funds without the downsides usually attached to that kind of funds. I personally would describe RIT simply as an investment company.

The long-term performance is probably the strongest argument in favor of the company. While Lord Rothschild's upcoming retirement might pose a certain risk, I believe that investors may be relatively relaxed as the day to day operations are conducted by J. Rothschild Capital Management where Mr. Goedhuis has been at the helm for almost a decade now. RIT also offers access to investments that retail investors would otherwise not be able to obtain.

Nonetheless, the stock is not exactly cheap at the moment as it trades at a - albeit not a giant - premium to net asset value. Given the currency exposure, I believe that as of now an investment in RIT might be most interesting for investors based in Britain or those who explicitly seek to increase their exposure to Sterling.

**Disclosure:** *I/we have no positions in any stocks mentioned, and no plans to initiate any positions within the next 72 hours. I wrote this article myself, and it expresses my own opinions. I am not receiving compensation for it (other than from Seeking Alpha). I have no business relationship with any company whose stock is mentioned in this article.*