

Rothschild's RIT Capital dumps sterling assets as it braces for the latest monetary 'experiment'

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Jacob Rothschild's investment house RIT Capital Partners has dumped assets priced in pounds this year as it nervously awaits the results of "the greatest experiment in monetary policy in the history of the world".

RIT, which considered a merger with rival Alliance Trust in May before walking away, said it was being cautious in "uncharted waters" as government bonds sink into negative yields and central banks around the world ramp up economic stimulus programmes.

"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," said Lord Rothschild.

"To date, at least in stock market terms, the policy has been successful with markets near their highs, while volatility on the whole has remained low. Nearly all classes of investment have been boosted by the rising monetary tide. Meanwhile, 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 in the management of your company's assets."

Despite missing out on the full benefit of the rise in stocks and shares this year, including a near-10pc rise in the FTSE 350, RIT pointed out that it has caught 76pc of the rise in financial markets but only 39pc of market declines since its foundation in 1961.

RIT sold off sterling-linked assets from its £2.5bn portfolio during the first half of the year, taking them down from 47pc to 34pc of the group's holdings. This has since fallen even further to 25pc. Meanwhile, the firm increased its holdings of safe haven assets including gold and precious metals.

The trust's overall net asset value rose 3.6pc to £16.13 per share, including dividends, and its overall assets rose by £64m to £2.5bn during the first six months of the year.

Shares in RIT, which have already reached record-breaking highs in the past month, gained 0.4pc to £18.19 after the results were published. The Rothschild family owns 21pc of the company.