The Times

RIT Capital Partners

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By Miles Costello

Can one individual dictate the success of an entire company? The short answer is, of course not, but that doesn't mean they won't be missed when they leave (Miles Costello writes).

In the case of RIT Capital Partners, its emblematic figure is Lord Rothschild, 82, standing aside as chairman in September. Those investors who were unnerved by the move, by a man whose personality infuses the trust, were mollified by his remaining as president and his family keeping a significant stake. The shares ended the day flat.

Lord Rothschild founded RIT Capital Partners in 1961 as the Rothschild Investment Trust to serve the interests of the English side of the family outside of its bank. He became chairman in 1971, listed it in 1988 and helped build it to the £3.1 billion vehicle that it is today.

The trust aims to generate capital growth over the long term while protecting investors from serious losses in bear markets. It has no formal benchmark, but tends to reference the retail price index plus 3 per cent and a variation of the MSCI All Country World Index as targets to beat. Its central selling point is caution. Listed companies account for 45 per cent of net asset value, far less than most other trusts. It uses third party managers to seek out vehicles such as derivatives and credit and hedge funds and takes stakes in unlisted companies.

Its conservative approach means it rarely collects the full benefits of a market rally — about 75 per cent according to Numis — but it tends to suffer just 39 per cent of a market's decline. It is suited to the defensive investor, but is a no-no for those that will stomach a year of losses as long as their company regularly shoots the lights out. Its dividend yield of just under 1.7 per cent will hold no allure for those seeking income.

When this column recommended buying the shares last March they stood at £19.14. Since then they have generated a return for shareholders, including dividends, of 9.5 per cent. That's a better return, with less volatility, than both of its reference points. Those who bought should keep, but this stock won't suit everybody, particularly when trading at a premium to net asset value.

ADVICE Long-term hold

WHY Highly defensive trust with strong track record of capital growth