

RIVERS CAPITAL MANAGEMENT



INTELLIGENT INTUITIVE INVESTING

Rivers Capital Management

Risk Levels and Portfolio Tactical Adjustment

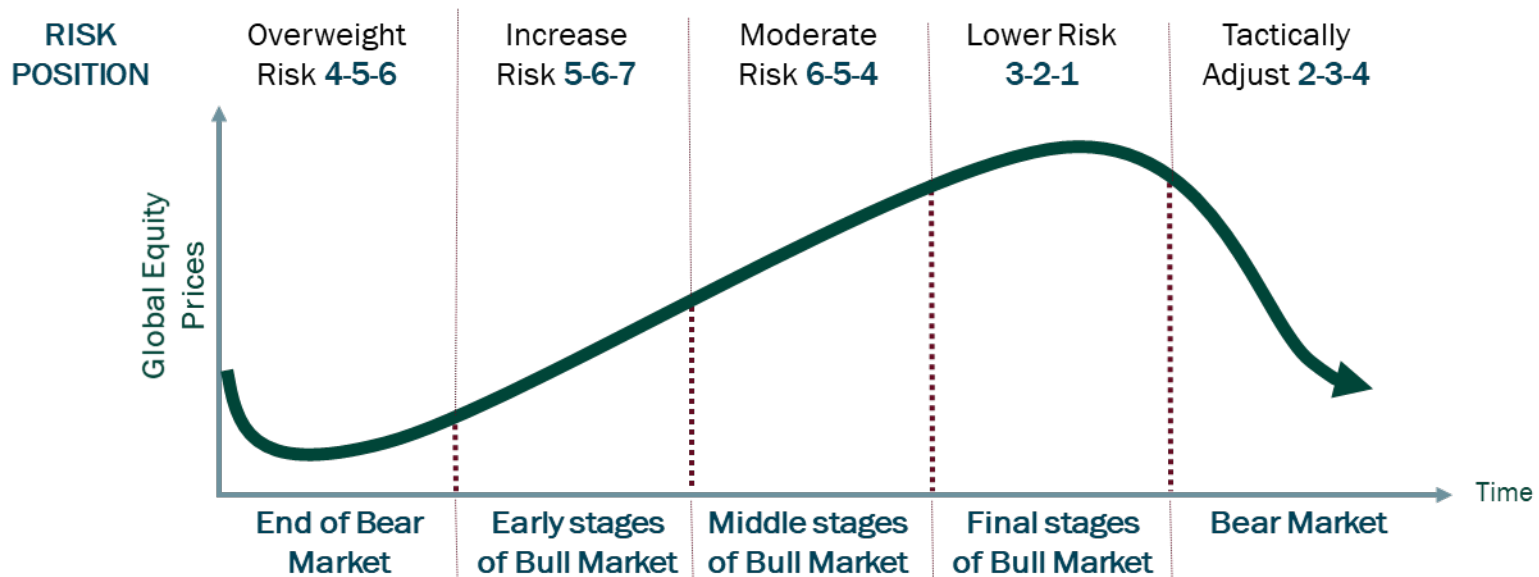
October 2020



Tactical Asset Allocation

Portfolios are rebalanced to optimise long term risk adjusted return

- Markets are generally efficient but discrepancies in valuation justify asset and risk adjustments.
- Altering the allocation to **Anchor**, **Enhancer** and **Diversifier** assets to control risk and add value.
- Rivers have identified 7 distinct Risk Levels for every portfolio with corresponding asset allocation.
- Portfolio rebalancing 2-4 times a year adjusts portfolio Risk Level and optimises fund selection.



Investment is never this simple but this illustrates generally how tactical risk and passive allocation is expected to vary across Rivers portfolios

Seven Levels of Risk for Every Strategic Risk Rating

Rivers Tactical Risk Levels

Adjusting exposure and manager opportunity to reflect market conditions



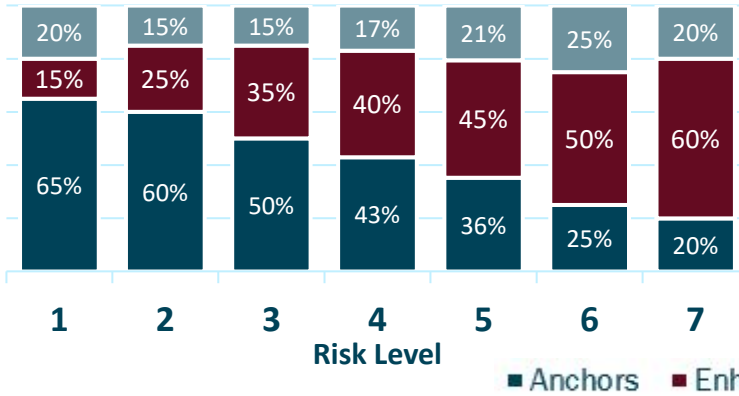
Seven Levels of Risk for Every Strategic Risk Rating

Rivers Tactical Risk Levels

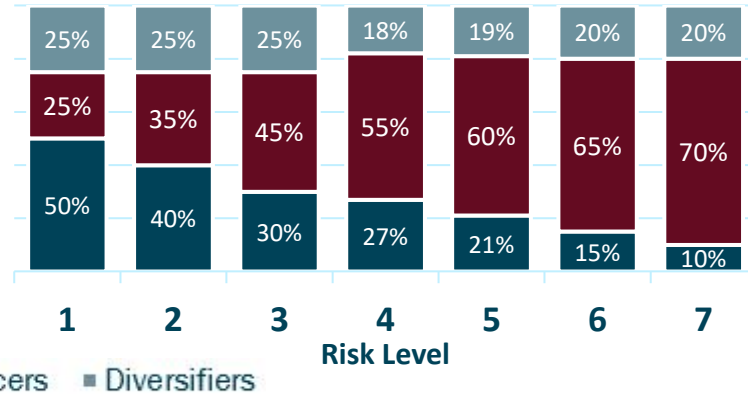
Each Portfolio is adjusted relatively to its Strategic Asset Allocation (Level 4)



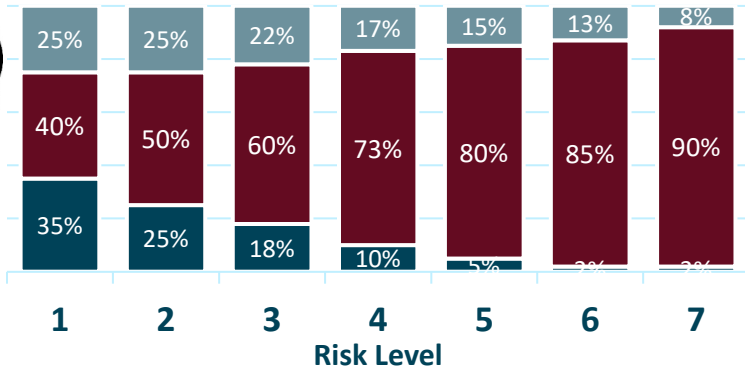
Rivers Cautious Model Portfolio



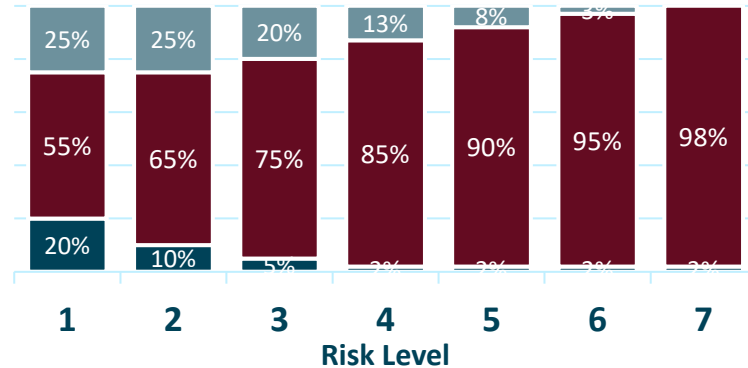
Rivers Balanced Model Portfolio



Rivers Adventurous Model Portfolio



Rivers Aggressive Model Portfolio



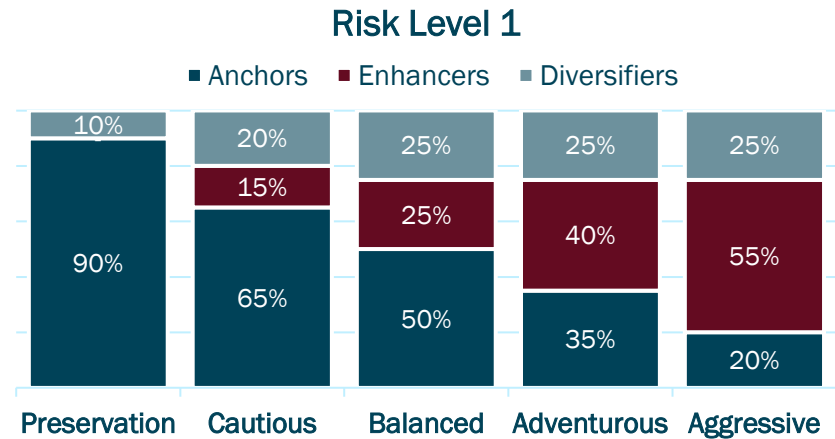
Seven Levels of Risk for Every Strategic Risk Rating

Rivers Tactical Risk Levels

At Every Risk Level the Risk Rating of Each Portfolio is Maintained

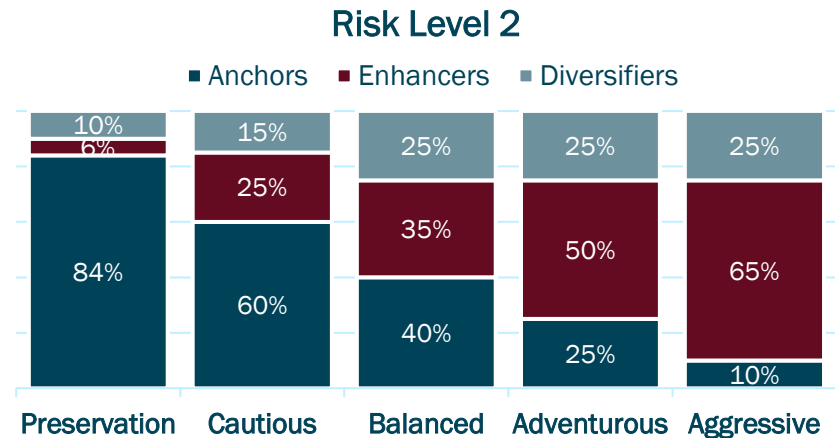
Risk Level 1

- The most defensive allocation possible.
- Not been implemented since inception.
- Significant correction imminently expected.
- Valuations extreme and economic outlook very negative.



Risk Level 2

- The most underweight risk allocation that has been implemented.
- Was held in advance of correction in 2018 and was reimplemented in the second half of 2019.
- Risk of correction is high and valuations unattractive.
- Opportunity to add risk at lower prices appears high.
- Political or other risks improve Diversifier expectations.



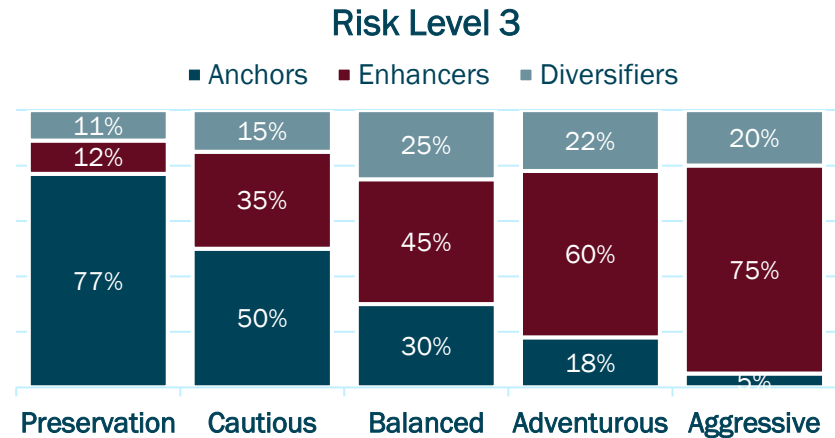
Seven Levels of Risk for Every Strategic Risk Rating

Rivers Tactical Risk Levels

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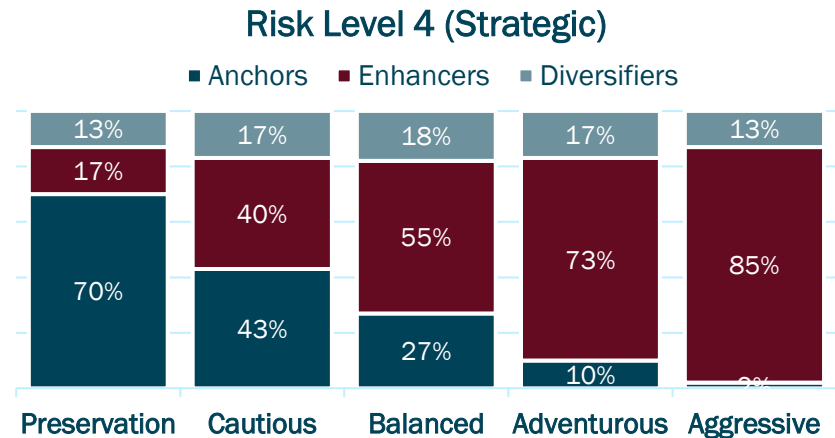
Risk Level 3

- A moderately underweight risk allocation.
- Last held in Q2 2019 as valuations rose .
- Valuations less attractive than expected.
- Political or economic outlook appears worse than that expected on average.
- Lower risk will protect downside and offer future opportunity.



Risk Level 4

- The Neutral or Strategic Allocation.
- Was last held at the start of 2019.
- Expected to be the 'average' allocation over the entire economic cycle.
- Growth likely to be positive and valuations normal.
- Political and economic outlooks relatively positive.

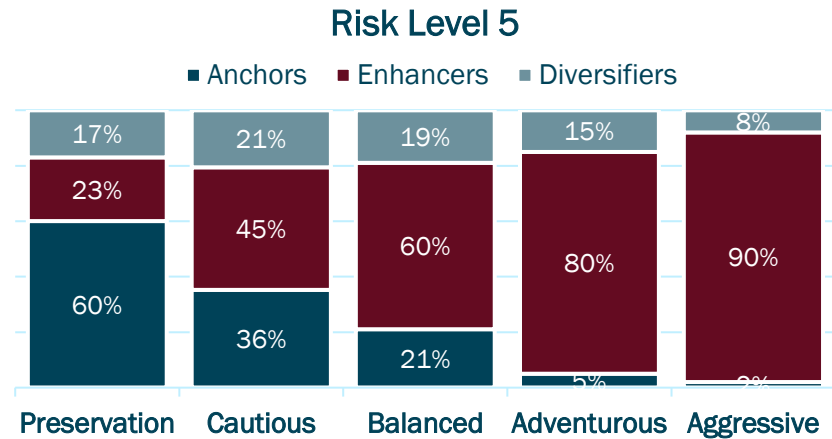


Seven Levels of Risk for Every Strategic Risk Rating

At Every Risk Level the Risk Rating of Each Portfolio is Maintained

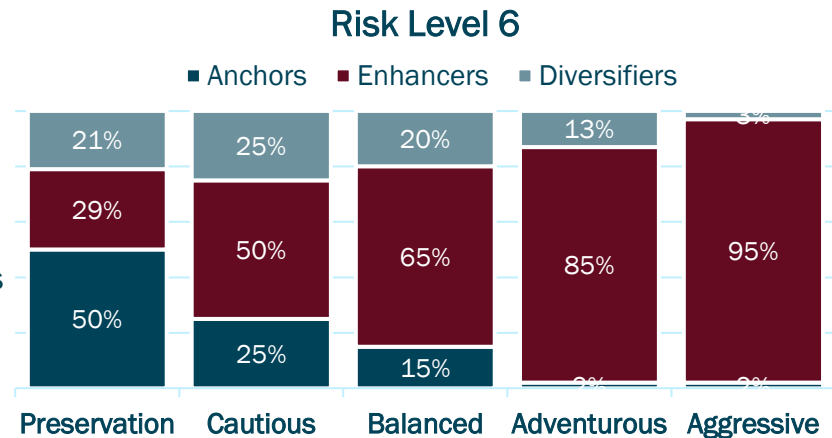
Risk Level 5

- A moderately overweight risk allocation.
- Last held in Q3 2016.
- Valuations more attractive than expected on average.
- Political or economic outlook appears better than that expected by investors.
- Higher risk is justified by higher medium term return expectations.



Risk Level 6

- A materially overweight risk allocation.
- Not been held since inception in 2016.
- This allocation is most likely following a significant correction with valuations low.
- The economic outlook is likely to be more positive than is generally expected by investors.
- Assets will likely be well discounted.

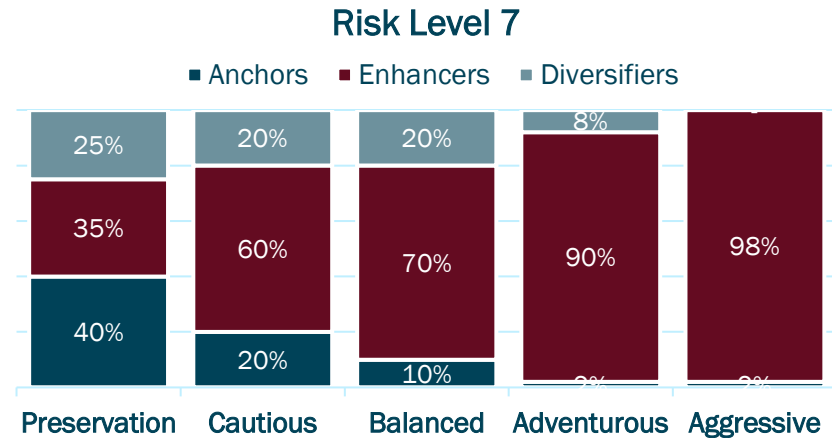


Seven Levels of Risk for Every Strategic Risk Rating

At Every Risk Level the Risk Rating of Each Portfolio is Maintained

Risk Level 7

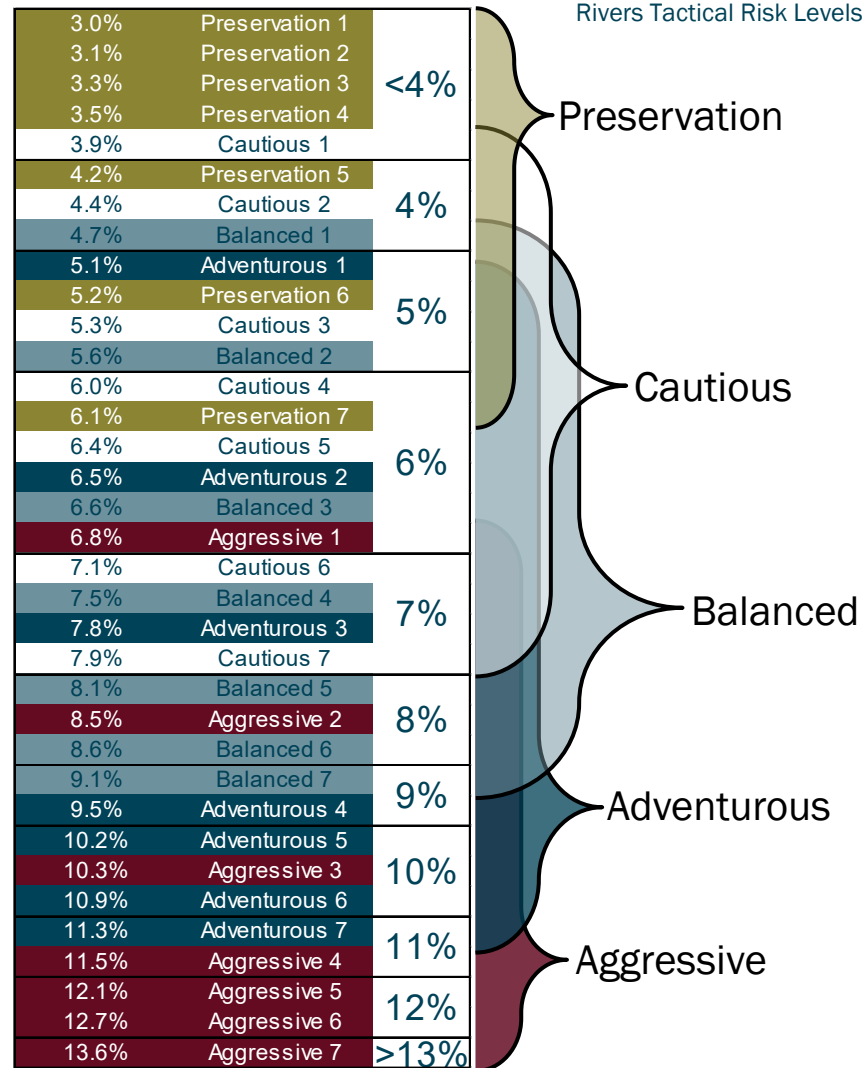
- The most extreme overweight risk allocation possible.
- Not been implemented since inception.
- Likely only during economic recovery.
- Assets will likely have been significantly oversold and confidence is very low.
- Losses from the preceding correction must have been avoided to permit this allocation.



Historical Risk Evaluation of Allocations

- By using index performance of the underlying asset classes we have evaluated the relative risk level of each individual Risk Level Allocation.
- While no Risk Level is likely to be held for 20 years, statically this demonstrates the relative riskiness of each portfolio at each risk level.
- The table shows the ranking, in terms of annualised monthly volatility of all portfolios since December 1999.
- Each portfolio has been independently assessed by Defaqto and is judged to have been tactically and strategically within its stated risk boundary.

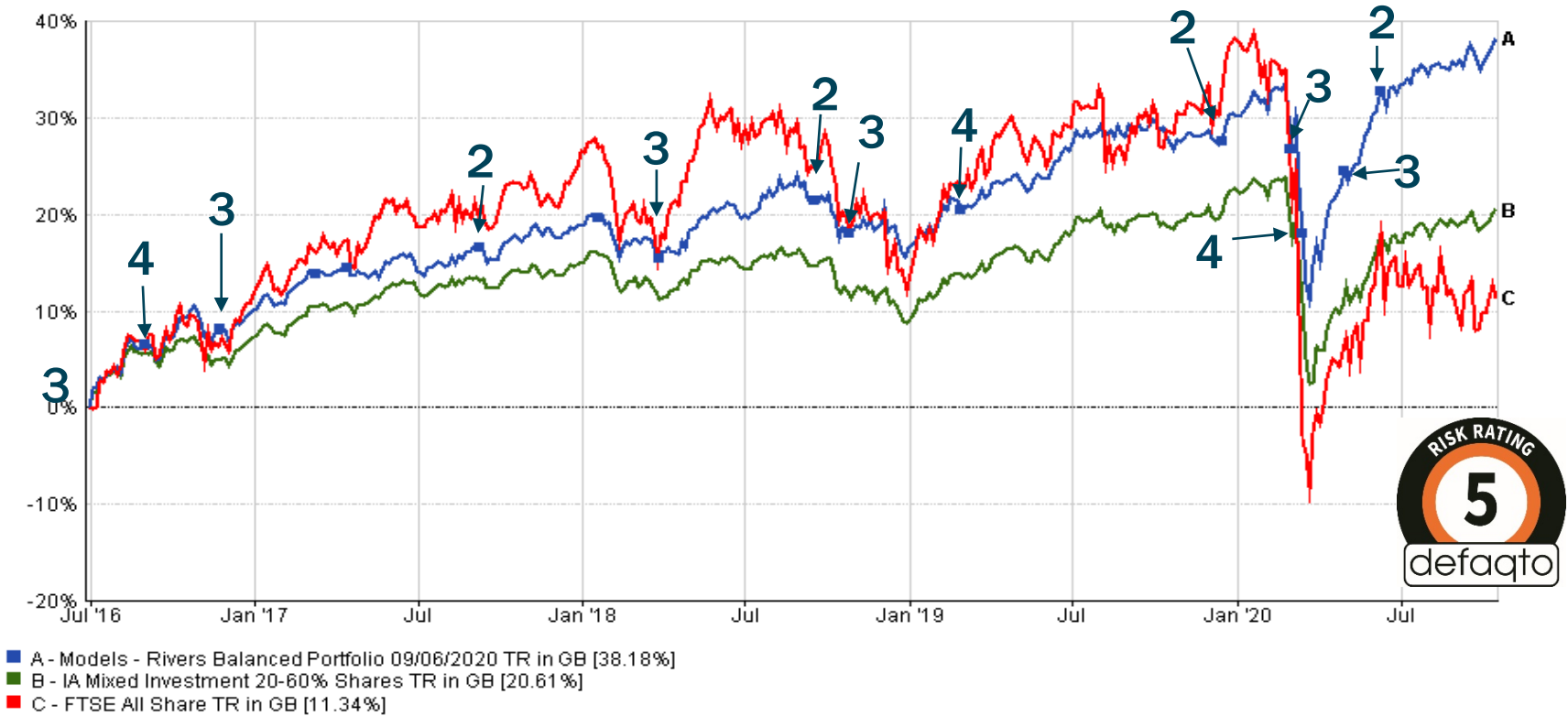
*20 Year Annualised monthly volatility. Source FE Analytics



How We Have Done - Balanced Portfolio

Portfolio Risk Position Changes Since Inception (June 2016)

Pricing Spread: Bid-Bid • Data Frequency: Daily • Currency: Pounds Sterling



30/06/2016 - 14/10/2020 Data from FE fundinfo2020

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