# Cautious Portfolio

30th June 2022

RIVERS CAPITAL MANAGEMENT

INTELLIGENT INTUITIVE INVESTING

## Investment Objective

**The Rivers Cautious Portfolio targets modest long term returns above inflation, and after fees, at controlled volatility levels. The portfolio aims to achieve its objective by diversifying across a broad range of assets with moderate return and lower volatility profiles. The portfolio may be somewhat exposed to global equity and interest rate market cycles. The typical investor seeks modest capital growth but must accept that the portfolio's investment value may fluctuate in the short term.**

## Market Comment

In what has been a challenging 2022, June was brutal. With fears of interest rates increasing and the economic slowdown, there were few places for investors to hide. Unfortunately, for once, diversification didn't help much. Even traditionally inflation protective assets lost value as investors began to expect global recession. Inflation linked bonds fell as it was expected that the BoE would continue to hike rates even if causing a recession. Equity indices tanked during the month, breaking lows that were set in mid-May. The broad sell off of all equities made a number of sectors good value, even if a recession does occur. As a result the Enhancer allocation within the portfolio was increased on June 20th. The portfolio is now 'neutral' compared to its Strategic Asset Allocation but maintains an overweight 'value' allocation and an underweight to both 'growth' and interest rate risk.

| Performance (%)[1] | 1m | 3m | YTD | 1yr | 3yr | 5yr |
|---|---|---|---|---|---|---|
| Rivers Cautious | -3.52 | -5.51 | -7.05 | -5.0 | 6.1 | 15.1 |
| IA Mixed 0-35% Shrs | -3.56 | -6.09 | -9.57 | -8.6 | -1.1 | 3.5 |
| FTSE UK All Gilts | -1.81 | -7.42 | 14.06 | -13.6 | -9.9 | -3.7 |

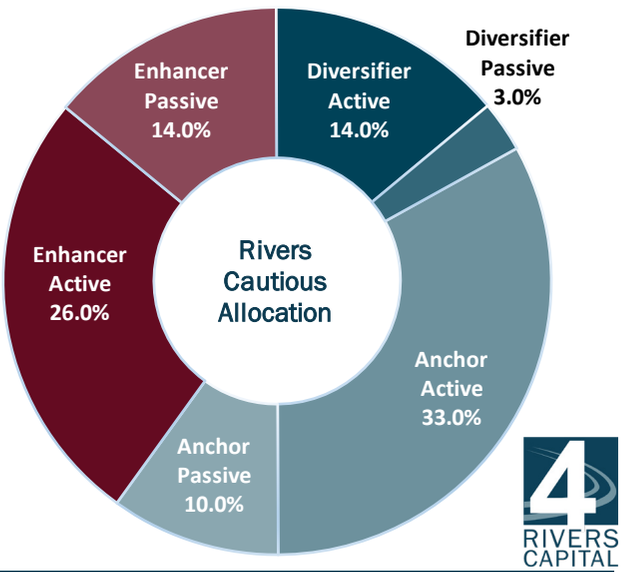
| Quarterly | Q1 | Q2 | Q3 | Q4 | Total |
|---|---|---|---|---|---|
| 2016 | - | - | 6.0% | 2.3% | 8.4% |
| 2017 | - | - | 1.6% | 1.7% | 3.4% |
| 2018 | -1.6% | 2.0% | 1.2% | -3.4% | -1.9% |
| 2019 | 3.8% | 3.1% | 2.2% | -0.6% | 8.7% |
| 2020 | -6.5% | 10.5% | 1.2% | 3.3% | 8.0% |
| 2021 | -0.6% | 2.4% | 0.8% | 1.4% | 4.0% |
| 2022 | -1.6% | -5.5% | - | - | -7.0% |

**Rivers Asset Classification System:**
**"Anchors"**: investments selected for low market correlation, low risk and capital preservation core characteristics. Significant allocation in low risk portfolios.
**"Enhancers"**: selected to increase portfolio long term return but exposed to equity risk. Allocation likely to increase with risk tolerance as returns become more volatile.
**"Diversifiers"**: selected for low correlation to traditional market equity and fixed income risk. Diversifiers are essential for efficiency in all but the lowest and highest risk portfolios.

For a more detailed explanation please contact Rivers Capital Management

| Model Characteristics | Target | Current |
|---|---|---|
| Annualised Return[1] | 4.5-6.0% | 4.2% |
| Portfolio Volatility[2] | <7.0% | 5.3% |
| Maximum Loss[3] | <6.0% | -7.7% |
| Ongoing charge of underlying[4] | <0.75% | 0.59% |
| Number of holdings | <25 | 22 |
| Last rebalance date | - | Jun-22 |
| Current expected portfolio yield[5] | - | 1.28% |
| Classified 'Passive' investments[6] | 30% | 27.0% |
| Since Inception Total Return | - | 28.2% |

| Allocation | Strategic | Current | Tactical |
|---|---|---|---|
| Anchors | 43.0% | 43.0% | 0.0% |
| Enhancers | 40.0% | 40.0% | 0.0% |
| Diversifiers | 17.0% | 17.0% | 0.0% |




| Top 10 Holdings | | |
|---|---|---|
| TM Fulcrum - Diversf Liquid Alternatives F Acc | Anchor Active | 8.0% |
| TwentyFour - Monument Bond I Net Acc GBP | Anchor Active | 7.0% |
| Aegon - Absolute Return Bond C Acc GBP | Anchor Active | 6.0% |
| Fidelity - Index World P | Enhancer Passive | 6.0% |
| Vermeer - Global Equity C | Enhancer Active | 6.0% |
| Vanguard - UK Infla-Lnkd Gilt A Gross Acc GBP | Anchor Passive | 5.0% |
| HSBC - FTSE 100 Index C Acc | Enhancer Passive | 5.0% |
| VT - De Lisle America B GBP | Enhancer Active | 5.0% |
| TwentyFour - Dynamic Bond I Net Acc GBP | Enhancer Active | 5.0% |
| Nomura - Global Dynamic Bond I Hedged GBP | Anchor Active | 4.0% |

Notes:
1. The performance data shown is indicative only. Rivers Capital Management attempts to replicate accurately the performance of the underlying portfolio using Financial Express data but performances will likely differ from individual accounts due to inflows and timing issues. The performance is net of a 0.25% Rivers Capital Management fee and annualised since inception (June 30th 2016).
2. Volatility is calculated as the annualised average weekly standard deviation of return since inception (June 30th 2016).
3. The maximum loss is calculated as the total loss from the highest previous month end portfolio value. Intra month or daily data may exceed this.
4. The ongoing charge is based on the current portfolio weightings using the latest available OCF data of each fund.
5. The yield is the average yield as published by each fund and not guaranteed.
6. Rivers investment committee determines a Passive allocation target (20-60%) dependant on the perceived market opportunity.
7. Relative risk level determined between 1 and 7 within the tactical constraints of all models with a level 4 considered tactically neutral.

Please contact Rivers directly on 020 3383 0180 or by emailing **info@riverscm.com**

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