

Current Update

February 2023



Market Talking Points

- INFLATION:** Rate fell to 6.4% in the US (from 6.5%), to 10.1% (from 10.7%) in the UK and 8.5% (from 8.6%) in the EU. The primary driver now appears to be food with the base effects of energy falling. Wages remains a key factor in the UK and US
- CENTRAL BANK RATES:** At the start of February rates rose in the US (4.75%), the EU (3.00%) and the UK (4.00%). With Inflation remaining resilient the Federal Reserve and ECB indicating that previous expectations of interest rate peaks may be premature
- BENCHMARK RATES:** Longer term bond yields rose in UK, EU and US over the month as growth indicators remained strong. Yield curves remain significantly inverted although bond markets have begun to reflect the 'higher for longer' message from the Central Banks
- ECONOMIC GROWTH:** Growth in the US in Q4 (0.9%) beat expectations as jobs data remained strong despite higher rates. The UK growth was confirmed as positive 0.4% over 2022. Growth also continued (1.9%) across the EU as benefits from the Chinese reopening continue
- POLITICS:** The Windsor Settlement requires ratification but should improve trade relations between the UK and the EU. This led to a modest rise in the value of Sterling. The war in Ukraine remains intense although, so far, there has not been a massive spring offensive from either side

Rivers Asset Index Data

Anchor	1m	6m	12m	5yr*	20yr*	Eq Corr	5yr Vol
Cash Plus / Enhanced Cash	0.4%	2.0%	2.9%	1.7%	2.7%	-0.08	0.2%
High Grade Bond and Income	-2.2%	-4.9%	-11.6%	-0.6%	3.7%	0.26	6.1%
Low Risk Absolute Return	1.0%	-1.3%	8.0%	4.1%	3.4%	0.22	6.0%
Enhancers	1m	6m	12m	5yr*	20yr*	Eq Corr	5yr Vol
Developed Market Equity	-0.3%	2.1%	1.4%	8.0%	9.6%	1.00	12.0%
Corporate, High Yield and Credit	-1.7%	1.1%	-5.7%	2.1%	7.0%	0.81	9.3%
Emerging Market Equity	-4.2%	-6.3%	-4.3%	2.0%	10.7%	0.78	13.3%
Diversifiers	1m	6m	12m	5yr*	20yr*	Eq Corr	5yr Vol
Commodity Focused	-3.1%	-11.3%	-3.1%	8.6%	3.7%	0.35	11.7%
Medium Volatility Absolute Return	1.2%	-2.8%	9.3%	6.0%	4.2%	0.31	7.9%
Themes, Macro and Trend	1.4%	-3.9%	12.3%	9.4%	6.6%	0.25	10.0%
Real Estate	-1.3%	-9.7%	-11.6%	5.2%	7.3%	0.72	9.4%

*Annualised returns above 1 year, as of 28/02/2023

Current Portfolio Relative Risk Level

- On January 27th the Risk Committee decreased the Tactical Risk Level to Neutral Level 3, out of 7, decreasing Enhancer asset exposure and duration risk following material portfolio gains since October
- Since risk was increased (October 18th) inflation and interest rate expectations have fallen leading to gains in most asset classes. Some of these recent gains appear unsustainable given prevailing uncertainty.
- With inflation still high and central banks remaining cautious a return to an underweight allocation was justified. While Anchor exposure was increased duration was materially reduced with returns from money market funds now becoming relatively more attractive
- Enhancer assets are primarily equity assets with a small percentage of credit
- Risk level 4 is the Neutral or Strategic asset allocation when valuations and risk are considered by the Risk Committee to be in equilibrium
- Lower risk levels (below 4) indicate that Enhancer valuations are relatively unattractive given to prevailing macro risks. Higher risk levels indicate they are relatively attractive

Key Future Announcements

UK		Previous	Forecast
Friday Mar 10 2023	GDP MoM	-0.5%	0.0%
Wednesday Mar 15 2023	Spring Budget 2023		
Wednesday Mar 22 2023	Inflation Rate (YoY) (Feb)	10.10%	10.30%
Thursday Mar 23 2023	BoE Interest Rate Decision	4.00%	4.25%
Friday Mar 24 2023	Retail Sales MoM FEB	0.5%	1.2%
GLOBAL			
Friday Mar 10 2023	US Non Farm Payrolls FEB	517K	200K
Tuesday Mar 14 2023	US Core Inflation Rate YoY F	5.6%	5.4%
Thursday Mar 16 2023	ECB Interest Rate Decision	3.00%	3.50%
Wednesday Mar 22 2023	US Fed Interest Rate Decision	4.75%	5.00%
Thursday Mar 23 2023	JP Inflation Rate YoY FEB	4.3%	

UK	28-Feb-23	31-Dec-22
FTSE 100	7,876	7,451
FTSE 100 % YTD	5.70%	-
BoE Interest Rate	4.00%	3.50%
CPI	10.10%	10.70%
Govt, 10YR Yield	3.71%	3.67%
FTSE 350	4,347	4,113

Currency	28-Feb-23	31-Dec-22
GBP/USD	1.20	1.21
GBP/EURO	1.14	1.13
EUR/USD	1.06	1.07

Commodity (\$)	28-Feb-23	31-Dec-22
Gold	1,836	1,830
Silver	21.07	24.18
Brent Crude Oil	77.05	80.51

Govt 10YR Bond	28-Feb-23	31-Dec-22
US	3.92	3.88
Japan (JGB)	0.50	0.42
Germany (Bund)	2.65	2.57
Italy (BTP)	4.47	4.69

Global Markets	28-Feb-23	31-Dec-22
Dow Jones	32,656	33,147
S&P 500	3,970	3,839
Nasdaq 100	11,455	10,466
Dax	15,365	13,923
CAC	7,267	6,473
Nikkei 225	27,445	26,094
Shanghai	3,279	3,089
Sensex	58,962	60,840
Nifty 50	17,303	18,105

Rivers Contacts

Richard Bonnor-Moris
rbm@riverscm.com

Eduardo Tomacelli
etomacelli@riverscm.com

Najib El-Rayyes
ner@riverscm.com

Rivers Capital Management

Tel. +44 (0)20 3383 0180

Email. info@riverscm.com

For further information or enquires, professional advisors please contact the investment team directly on **020 3383 0180** or by emailing **info@riverscm.com**

Disclaimer: Rivers Capital Management is authorised & regulated by the Financial Conduct Authority (FCA) Reference No. 801238. Its registered offices are at 1027a Garratt Lane, SW17 0LN, London, United Kingdom. This document is intended only for use by Financial Advisors and not for distribution to retail investors. This document does not constitute professional advice, or an offer, or a solicitation of an offer, to sell securities and no securities are to be offered or sold other than to persons whose ordinary activities

involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses, or otherwise in circumstances which have not resulted and will not result in an offer to the public within the meaning of the Financial Services and Markets Act 2000. The Model Portfolio is not suitable for all types of investor and investor accounts may only be attached to it by the instruction of a professional Financial Advisor. Past performance is not necessarily a guide to the future performance. Market and

currency movements may cause the value of investments and the income from them to fall as well as rise. Unless otherwise stated, the source of all figures contained herein is Rivers Capital Management. Whilst all reasonable care has been taken in preparing this document, the information contained herein has been obtained from sources that we consider reliable but we do not represent that it is complete or accurate and it should not be relied upon as such.