

# Cautious Income Portfolio

31<sup>st</sup> October 2023



INTELLIGENT INTUITIVE INVESTING

## Investment Objective

The Rivers Cautious Income Portfolio targets income of 3.5% by diversifying across a broad range of assets with differing return and volatility profiles. The portfolio is expected to maintain real value, net of income, after inflation while minimising the possibility of the investment falling in value. The portfolio may be somewhat exposed to global equity and interest rate market cycles. The portfolio's investment value will fluctuate in the short term, but we would not expect significant falls in value over a sustained period.

## Market Comment

The portfolio value decreased during October as losses from the underweight Enhancer allocation offset gains from the Anchor and Diversifier allocations. Within Anchors, the allocation to money market funds offset any losses from the longer duration bond funds held. With interest rates now expected to stay high for longer, the yield on long duration bonds exceeded all levels since the financial crisis. Within Enhancers, losses were widespread as robust economic data pushed back any expectations of interest rate cuts into 2025. The message from Central banks that interest rates may go higher and will be held high, saw investor sentiment continue to deteriorate. Within Diversifiers, precious metals and real estate struggled. At the beginning of November the portfolio was rebalanced to lower the tactical underweight allocation. After three months of overall falling equity valuations the opportunity from a marginally increased, but still underweight, risk exposure is attractive.

Performance (%) <sup>1</sup>	1m	3m	YTD	1yr	3yr	5yr
Rivers Cautious Income	-0.86	-1.9	-0.9	1.7	-1.2	1.8
IA Mixed 0-35% Shares	-1.13	-2.4	-0.8	0.9	-4.7	1.3
IA Global Equity Income	-2.61	-4.1	0.9	3.7	32.8	38.3

Quarterly	Q1	Q2	Q3	Q4	Total
2017	2.4%	0.4%	0.2%	1.0%	3.9%
2018	-2.3%	2.3%	0.4%	-3.5%	-3.1%
2019	4.4%	2.5%	1.5%	1.0%	9.9%
2020	-12.2%	9.1%	0.7%	5.1%	1.5%
2021	-0.4%	2.3%	0.7%	1.2%	3.8%
2022	-2.0%	-5.9%	-4.2%	2.8%	-9.2%
2023	1.4%	-1.4%	-0.1%	-	-0.0%

## 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

## Notes:

- The performance data shown is indicative only. Rivers Capital Management attempts to replicate accurately the performance of the underlying portfolio using composite fund 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 30<sup>th</sup> 2016).
- Volatility is calculated as the annualised average weekly standard deviation of return since inception (June 30<sup>th</sup> 2016).
- 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.
- The ongoing charge is based on the current portfolio weightings using the latest available OCF data of each fund.
- The yield is the average yield as published by each fund and not guaranteed.
- Rivers investment committee determines a Passive allocation target (20-60%) dependant on the perceived market opportunity.
- 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](mailto:info@riverscm.com)

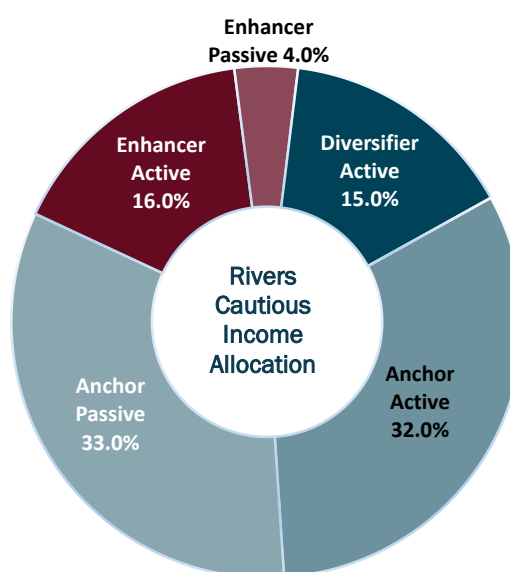
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involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses, or otherwise in circumstances which have not resulted and will not result in an offer to the public within the meaning 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 factsheet, 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.

Model Characteristics	Target	Current
Annualised Return <sup>1</sup>	4.0-5.0%	1.2%
Portfolio Volatility <sup>2</sup>	<7.0%	6.5%
Maximum Loss <sup>3</sup>	<6.0%	-12.2%
Ongoing charge of underlying <sup>4</sup>	<0.75%	0.51%
Number of holdings	<25	15
Last rebalance date	-	Jun-23
Current expected portfolio yield <sup>5</sup>	-	4.16%
Classified 'Passive' investments <sup>6</sup>	N/A	37.0%
Since Inception Total Return	-	9.4%

Allocation	Strategic	Current	Tactical
Anchors	43.0%	65.0%	22.0%
Enhancers	40.0%	20.0%	-20.0%
Diversifiers	17.0%	15.0%	-2.0%



## Top 10 Holdings

Royal London - Short Term Money Market Y Inc	Anchor Passive	26.0%
BNY Mellon - Global Dynamic Bond Inst W Inc	Anchor Active	10.0%
EdenTree - Responsible and Sus Bond B	Anchor Active	8.0%
Artemis - Strategic Bond I Monthly Inc	Anchor Active	7.0%
Aegon - Absolute Return Bond C Acc	Anchor Active	7.0%
iShares - UK Gilts All Stocks Index (UK) D Inc	Anchor Passive	5.0%
TwentyFour - Dynamic Bond I Net Inc	Enhancer Active	5.0%
Fidelity - Enhanced Income W Inc	Enhancer Active	4.0%
HSBC - FTSE All World Index C Inc	Enhancer Passive	4.0%
BNY Mellon - Global Income Inst W Inc	Enhancer Active	4.0%