

# Discretionary Managed Portfolio Service

## Income Model

**September 2022**

### Key information

#### Model details

|                                |                |
|--------------------------------|----------------|
| Launch date                    | 1 January 2007 |
| Minimum initial investment     | £1,000         |
| Rebalancing strategy (minimum) | Quarterly      |
| Currency                       | £ GBP          |
| Annual management charge       | 0.50%*         |
| Ongoing charges figure ('OCF') | 0.51%          |
| Annual yield (current)         | 2.20%          |

\*Not including platform fees  
Source: FE Analytics as at 30.09.22

#### Investment update - September

The market sell-off in August continued into September, driven by persistent high inflation, hawkish rhetoric from central banks and downward expectations for economic growth. It was a particularly tumultuous month in the UK. The government's 'mini-budget', which set out plans for a larger-than-expected fiscal package and further substantial government borrowing, caused a spike in gilt yields and a dramatic fall in sterling to an historic low of \$1.03. Intervention by the Bank of England, who purchased longer-dated issues in an attempt to stabilise bond prices, led to a modest recovery in gilts by the month's end. The continued hawkish backdrop pushed bond yields significantly higher and prices lower. Both the US Federal Reserve and European Central Bank increased rates by a further 75 bps in September. On a potentially more positive note, the resilience of corporate earnings may suggest that equity markets have priced in much of the bad news. The same can potentially be said of some areas of the fixed interest markets if inflationary pressures are indeed set to recede. As such, no changes were made during the month as we maintain our commitment to equities, which have historically provided the best defence against inflation. The strategy remains at the upper end of its corresponding Dynamic Planner risk profile. At some point the coast may become clearer for fixed interest markets but volatility currently remains extremely high. Until then, allocations to highly liquid 'alternative' investment funds, which exhibit low levels of volatility and function as an effective risk management tool, are being maintained.

#### Discretionary Managed Portfolio Service

The service consists of six actively managed investment models, offering lower cost access to our discretionary fund management capabilities, through the combination of active and passive collective investments. The service provides a solution that, when cost considerations are paramount, does not compromise on quality. Investment models are monitored by our central Investment Committee to ensure consistency of performance from one portfolio to another.

#### Investment objective

To generate income and build capital in real (inflation-adjusted) terms over the medium to longer term. Investors should expect reasonable correlation to stock market behaviour and rewards, including quite sharp fluctuations in values, but also some protection in times of market weakness.

#### Risk profile

The model is managed in accordance with Dynamic Planner risk profile 5 (Low Medium), with the model's expected volatility targeted to stay within the assigned Dynamic Planner risk profile's boundaries.

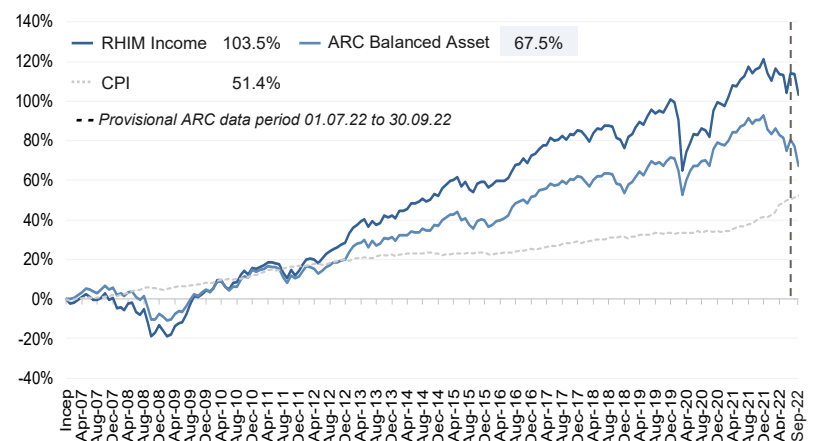
#### Discrete performance

|                        | YTD    | 2021  | 2020  | 2019  | 2018  | 2017 |
|------------------------|--------|-------|-------|-------|-------|------|
| RHIM Income            | -8.1%  | 11.0% | -0.6% | 13.7% | -4.7% | 7.4% |
| ARC Balanced Asset PCI | -13.1% | 7.6%  | 4.3%  | 11.7% | -5.1% | 6.7% |
| CPI                    | 7.0%   | 5.4%  | 0.7%  | 1.3%  | 2.1%  | 2.9% |

#### Cumulative performance

|             | 1yr   | 3yr  | 5yr   | 10yr  |
|-------------|-------|------|-------|-------|
| RHIM Income | -5.1% | 4.2% | 12.6% | 62.3% |

#### Inception performance



#### Annualised performance since inception

|                        | Inception |
|------------------------|-----------|
| RHIM Income            | 4.6%      |
| ARC Balanced Asset PCI | 3.3%      |
| CPI                    | 2.8%      |

Source: FE Analytics and Morningstar as at 30.09.22. Inception from 01.01.07. RHIM performance is net of fund charges, but does not include RHIM discretionary management fees, nor fees that may be incurred through your financial adviser. Highlighted ARC PCI figure is provisional. Past performance is not a guide to future results. See full risk warning overleaf.

## About Richmond House

We launched our discretionary management service in 2006, and have navigated the portfolios through good times and bad. We're proud to say that we've protected our clients' capital and today we have around £200 million of funds under management.

We focus on both actively managed funds and lower cost passive funds where appropriate, taking a sensible approach and always maintaining our awareness of downside risks. Adopting a global view, we continually identify where the risks and opportunities lie.

We offer a range of model portfolios, and the discretionary powers of our specialist team allow us to make alterations to these quickly and efficiently. Each portfolio typically holds between 25 and 30 funds selected from the whole of the market, ensuring diversification across asset classes, countries and sectors.

We conduct our own fund research using specialist tools such as Morningstar, but we also take the opportunity to meet fund managers regularly face-to-face to ensure each fund continues to meet its objectives and remains appropriate to our clients' needs.

## Contact Richmond House

For further information on this model please contact us:

t: 0333 241 3350  
e: [info@richmondhouseim.co.uk](mailto:info@richmondhouseim.co.uk)

Premier House  
Argyle Way  
Stevenage  
Hertfordshire  
SG1 2AD

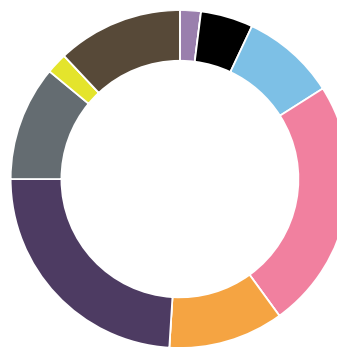
## Headline asset allocation and positioning

Summary of current Investment Committee positioning

|                         | UW (-) | N (=) | OW (+) | Key                  |
|-------------------------|--------|-------|--------|----------------------|
| Fixed interest          |        |       |        | ■ Current            |
| Equities                |        |       |        | ■ UW (-) Underweight |
| Property                |        |       |        | ■ N (=) Neutral      |
| Alternative investments |        |       |        | ■ OW (+) Overweight  |
| Cash                    |        |       |        |                      |

- The strategies remain at the upper end of their corresponding Dynamic Planner risk profiles with good exposure to those parts of the world less likely to be exposed to the economic fall-out from war in Ukraine.
- We have reduced or removed entirely our exposure to Europe and increased our allocation to Asia-Pacific ex Japan, where fundamentals and valuations look fairly attractive, and policy is more supportive for risk assets.
- In our lower risk strategies, we continue to favour inflation-linked bond funds, actively managed strategic bond funds and 'market neutral' alternative investments, which continue to act as good portfolio stabilisers, diversifiers of risk and sources of return.
- Cash exposure remains low and there continues to be focus on high levels of liquidity in everything that we own.

## Model asset allocation



| Sector                       | %  |
|------------------------------|----|
| Cash                         | 2  |
| International fixed interest | 5  |
| Strategic bonds              | 9  |
| Alternatives                 | 24 |
| UK equity income             | 11 |
| US equity                    | 24 |
| Asia-Pacific ex Japan equity | 11 |
| Japanese equity              | 2  |
| Thematic and global equity   | 12 |

| Active/Passive split | %  |
|----------------------|----|
| Active funds         | 61 |
| Passive funds        | 39 |

## Top 10 holdings

| Holding                                    | % | Holding                           | % |
|--|---|-----------------------------------|---|
| FTF ClearBridge Global Infrastructure Inc. | 8 | TM Tellworth UK Select            | 6 |
| HSBC American Index                        | 8 | Artemis Target Return Bond        | 5 |
| Vanguard US Equity Index                   | 8 | Janus Henderson Absolute Return   | 5 |
| Fidelity Index US                          | 6 | Janus Henderson Strategic Bond    | 5 |
| HSBC Pacific Index                         | 6 | TwentyFour Absolute Return Credit | 5 |

As at 30.09.22

This document is issued and approved by Richmond House Investment Management Limited.

Past performance should not be seen as an indication of future performance. The price of shares/units and income from them may fall as well as rise and is not guaranteed. The models used are typical of portfolios managed by Richmond House Investment Management. Your actual portfolio may differ depending on your individual circumstances. Please note that the calculated OCF from FE Analytics may vary from that stated by your chosen platform provider.

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