

# WISE INVESTMENT LIMITED - ETHICAL BALANCED

## Pershing

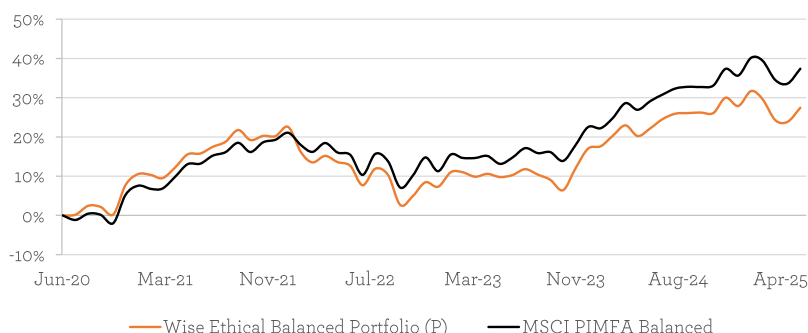
## MONTHLY FACTSHEET

all data as at 31st May 2025

## PORTFOLIO OBJECTIVES AND STRATEGY

The Wise Ethical Balanced Model Portfolio is designed for clients who are looking for a total return in line with the MSCI PIMFA Balanced index over a 5 to 10-year period. We aim to achieve this by exclusively investing in a focussed list of ethical and sustainability-oriented funds (unit trusts, investment trusts and OEICs). These funds will have specific objectives of providing capital to businesses whose operations and activities either meet specific ethical standards or are engaged in improving the long-term sustainability of the earth's resources. The portfolio will have diversification across geography, asset class and investment style. The funds invest in real assets, such as company shares (listed both in the UK and overseas), property, fixed interest and cash. The Portfolio is managed so that 50%-80% is invested in 'medium' risk assets, such as shares and property, 20%-50% is to be held in assets defined as 'moderate', 'low' or 'minimal' risk, which are mainly comprised of fixed interest (UK government and higher quality company debt) and cash, any remaining balance up to 10% can be held in higher risk assets such as shares in specific countries and industries. We consider the portfolio to be suitable for those willing to adopt a balanced risk profile.

## PERFORMANCE SINCE LAUNCH (using month-end data)



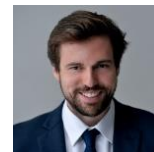
## CUMULATIVE PERFORMANCE

	1m	3m	6m	1yr	3yr	Launch
Wise Ethical Balanced Portfolio (P)	2.9%	-1.7%	-2.0%	4.3%	13.1%	27.5%
MSCI PIMFA Balanced	2.8%	-1.5%	0.0%	6.4%	19.0%	37.4%

## DISCRETE ANNUAL PERFORMANCE

	31/05/2024	31/05/2023	31/05/2022
	31/05/2025	31/05/2024	31/05/2023
Wise Ethical Balanced Portfolio (P)	4.3%	11.4%	-2.5%
MSCI PIMFA Balanced	6.4%	14.2%	-2.0%

## PORTFOLIO MANAGEMENT



### WILLIAM GEFFEN

Head of Investment  
Management

William joined Wise Investment in November 2023

and has 4 years' experience in managing equity funds. His main responsibility is the selection of suitable investments for portfolios and ensuring our investment service meets your requirements.

William successfully passed all three level of the Chartered Financial Analyst (CFA) exams gaining the qualification in 2021.

## Key Portfolio Details

Launch Date	30th June 2020
Holdings	11
Historic Yield <sup>1</sup>	3.0%
Volatility <sup>2</sup>	9.1%
Benchmark	MSCI PIMFA Balanced
Model OCF <sup>3</sup>	0.5%
Service Charge <sup>4</sup>	1.8%

## Contact Details

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All data used on this factsheet is supplied by Financial Express. Rounding may result in charts and tables not adding up to 100% in displayed data. Performance is based on total returns on a bid-to-bid basis, net of UK dividend tax credits and is calculated referencing a model portfolio. Actual portfolio statistics may differ because of investment performance, cash movements, transaction costs and the timing of sales and purchases within the portfolio. Quoted performance does not include fees levied by Wise Investments Ltd or any fees from custodial services. Service fees will apply. Past performance is not a reliable indicator of future results. This document should not be construed as an investment recommendation.

1 The Historic Yield is the weighted average yield of the model based on the model's current constituents

2 Volatility is the annualised monthly volatility of the model portfolio to the most recent month end over a 3 year period or since launch if this period is less than 3 years

3 The Model OCF calculates the annual charges levied by the underlying fund holdings according to the model portfolio weights

4 The Service Fee incorporates the model OCF, the standard non-tiered annual fees levied by Wise Investments Limited and custodian fees, of which this is the highest possible fee. Further details of these charges are disclosed to clients investing in the model portfolios.



## MONTHLY COMMENTARY

May saw a steadier month with markets broadly recovering from a very volatile April.

This recovery saw world equities rise 4.9%, led by US equities which rose 5.4%. All equity markets were fairly buoyant through the month, with Europe up 4.6%, the UK up 4%, Emerging markets up 3.6% Japan up 3.1%.

This global rally was chiefly driven by a general settling down of tariff talk, particularly early indicators of de-escalation between the US and China, as well as a broadly strong set of business earnings for the start of the year.

Bonds were more mixed, with yields moving up through the month largely due to concerns over increased UK Government spending being floated in advance of the spending review in June. This pushed Gilts down -1.4% and corporate bonds down a very modest -0.1%. High-yield bonds, less sensitive to movements in yield curves, returned +1.3% as credit spreads tightened after widening abruptly in early April.

Property was up modestly with direct UK property up 0.6% and UK listed real estate up 1.7% due to a reasonable inflow of liquidity into the UK market.

Looking forward, we still see two sources of concern in markets.

The first is that tariff policy has not gone away entirely, indeed it has only been "suspended". There's no doubt that tariffs are primarily being used (or at least seen to be being used) as a bargaining chip in trade deals, but the number of trade deals actually being made seems few and far between. Those that have been announced, seem to be more of a publicity stunt than a tangible trade deal. The much-vaunted announcement of the UK trade deal amounted to little more than a "framework", an import relief on 100,000 Rolls Royce's and a reduced tariff on steel and aluminium that is already under threat.

These tariffs have a real impact on businesses and the consumer. All evidence points to either a large reduction in business profits or a sharp increase in consumer costs (or both) on top of general uncertainty for business investment with long-term consequences for economic growth.

The second concern revolves around US government spending. Recent headlines have focused on Trump and Musk's fallout. Musk walked away from DOGE (Department of Government Efficiency) as it was clear he wouldn't be able to actually cut anything substantial/meaningful. The meat of US Government spending has always been in defence, healthcare and benefits, all of which are politically unsavoury to take a hatchet to, and is wrapped in horrific levels of bureaucracy and secrecy, and would likely require bills or at least some sort of congressional approval - hence just tinkering at the edges with a few \$m here and there from US aid, achieving little while diminishing US soft power.

Meanwhile Trump's administration has been hell bent on pushing through this "big beautiful bill" which is filled with literally 1000+ pages of "pork" - small compromises, usually district specific spending to sweeten it for various congressmen/women and get it across the line (barely) along with a slew of middling tax cuts. This has had the effect of not cutting the deficit but rather blowing it out another -\$2tn all while Fed interest rates are still at 4.25-4.5% and refuse to cut despite Trump's railing against Jerome Powell (Fed Chairman).

This monstrosity was so anathema to Musk and his non-political/business mindset (a standpoint likely worsened by the EV subsidy cuts) that he parted ways and then later took to X to denounce it and Trump. Trump is not one to be slighted, neither is Elon - and boom.

To bring this back to the real practical implications for us as investors - it means the US bond market is right on edge. An extremely driven external force was bought in to cut government spending with clear presidential backing and ran for the hills. The bond market clearly hates this new bill and doubts any resultant growth will be able to offset the additional net spending - thus US yields refuse to come down despite (currently) low levels of inflation. This is a big problem as it means the interest payment on the US debt, now equivalent to their entire defence spending, remains high (and gets higher) causing a potential debt spiral unless somehow spending is cut, growth roars back or... tariffs actually raise substantial revenues in which case someone, likely the US businesses and consumers, are paying the bill.

Debt concerns are not particularly new and past crises have come and gone, but there does appear to be no easy way out of this one.

Overall, caution is warranted on US treasuries, US bonds, and to a lesser extent, US equities (particularly as a dollar asset) - a view that has generally worked out so far this year - not least as the US dollar has been very weak, and unlike stocks and bonds, has not recovered its value. This goes with the usual caveat that a savvy long term investor should never walk away from US equities entirely but can certainly tilt away from them for better opportunities for now in favour of the opportunities we see in the UK, Europe and Emerging Markets.

The Ethical Balanced model returned 2.9%, in line with the 2.8% return for the PIMFA Balanced benchmark.

This return was largely driven by buoyant positions in Global Equities, with the Vanguard ESG Developed World Index fund returning 5.1%. Bond funds were fairly flat with the likes of the Vontobel TwentyFour sustainable short term corporate bond fund returning 0.3%. Our holding in the Aegon Ethical fund was a notable outperformer, returning 5.0 % while the position in the AB International Healthcare fund drastically underperformed returning -5.2% due to ongoing weakness in the Biotech and Healthcare sectors.

We made a few small portfolio changes in May, exiting the Fundsmith Sustainable fund and trimming the Aegon Ethical fund in favour of adding the Royal London Sustainable Leaders Trust fund which has a strong track record and more balanced UK focused portfolio. We also topped up the position in the Vontobel TwentyFour Sustainable Short Term Corporate Bond fund due to general concerns on US and global equity valuations given the ongoing tariff and debt uncertainty.

We continue to favour a strategy of strong core global equity exposure via the low fee passives like the Vanguard ESG Developed World All Cap Equity Index fund. This more volatile exposure is moderated by high quality and shorter dated bonds in the fixed income portion of the portfolio.

Tactically, we maintain our position in the Aegon Ethical Equity fund to capture the substantial discount we see in the UK market. We also maintain a 5% position in the AB International Healthcare fund to take advantage of the attractive valuations in the healthcare sector - a sector that also has enjoyed strong long-term returns due to the high-quality nature of many healthcare businesses and the steady secular growth trends they are exposed to (e.g. aging populations).

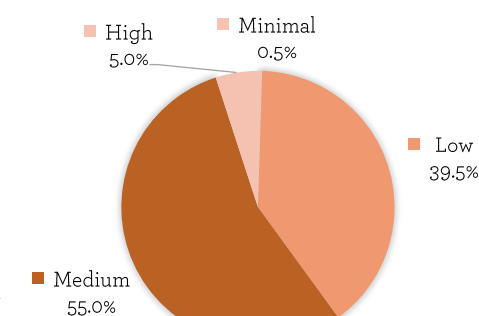
We also have a modest 5% position in Schroder Global Cities Real Estate fund as we continue to see value in this down beaten asset class as shown by the depressed prices in commercial properties and large net asset value discounts in listed real estate trusts.

## HOLDINGS

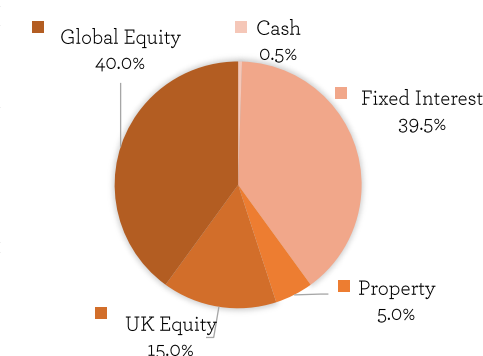
Name	Weight	OCF
Vanguard ESG Developed World Equity Index	30.0%	0.20%
TwentyFour Sustainable Short term bond	24.5%	0.36%
Royal London Sustainable Leaders Trust	10.0%	0.76%
TwentyFour Asset Backed Opportunities	5.0%	0.71%
TwentyFour Sustainable Global Corporate Bond	5.0%	0.40%
TwentyFour Monument Bond	5.0%	0.39%
Schroder Global Cities Real Estate	5.0%	0.93%
Aegon Ethical Equity	5.0%	0.77%
JOHCM Regnan Sustainable Water and Waste	5.0%	0.85%
Alliance Bernstein International Healthcare	5.0%	0.96%
Cash	0.5%	0.00%

## RISK ALLOCATION

For Asset Risk Category definitions see the Wise Investment Risk Appendix, supplied to investors in the model portfolios.



## ASSET ALLOCATION



## IMPORTANT INFORMATION

Portfolio returns from the Wise Investment Model Portfolio Service will be subject to investment market fluctuations and there is no guarantee that the portfolio objectives, including any income targets, will be achieved. Where income is received as dividends, these will be automatically reinvested in the Model Portfolio, which may result in the Model Portfolio returns being higher than what a client portfolio can actually achieve. The performance will be reduced by the withdrawal of income and the impact of the ongoing charges and portfolio transaction costs. The charges can vary. Prices of funds and the income from them may fall as well as rise and investors may not get back the amount originally invested. Consequently, an investment into this portfolio should be considered for a 5 to 10 year period. The funds may invest in higher-yielding or non-investment grade bonds. The funds may hold investments denominated in currencies other than sterling. Changes in exchange rates will cause the value of these investments and the income from them to rise or fall. The funds can use derivatives for investment purposes. These instruments can be more volatile than investment in equities or bonds. Every effort is taken to ensure the accuracy of the data used in this document, but no warranties are given. Wise Investment has expressed its own views and these may change. The data contained in this document has been sourced by Wise Investment and should be independently verified before further publication or use. Wise Investment is a trading brand of Wise Investments Ltd. Wise Investments Ltd is authorised and regulated by the Financial Conduct Authority. Ref no. 230553.

