

# WISE INVESTMENT LIMITED ETHICAL BALANCED

## Pershing

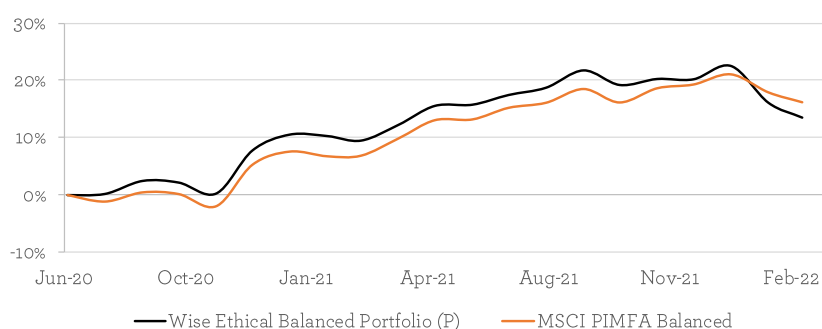
### MONTHLY FACTSHEET

all data as at 28th February 2022

## PORTFOLIO OBJECTIVES AND STRATEGY

The Wise Ethical Balanced Model Portfolio is designed for clients who are looking for a level of capital growth 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 no more than 80% is invested in 'medium' risk assets, such as shares and property. The balance of at least 20% is 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. No exposure will be allocated to higher risk assets. 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	Launch
Wise Ethical Balanced Portfolio (P)	-2.2%	-5.6%	-6.8%	3.7%	13.5%
MSCI PIMFA Balanced	-1.5%	-2.6%	-2.0%	8.7%	16.2%

## DISCRETE ANNUAL PERFORMANCE

	28/02/2021	28/02/2022
Wise Ethical Balanced Portfolio (P)	3.7%	3.7%
MSCI PIMFA Balanced	8.7%	8.7%

## PORTFOLIO MANAGEMENT



### ROBERT BLINKHORN

Head of Investment Management

Robert joined Wise Investment in July 2017 and has 18 years' experience in managing private client multi asset class portfolios. His main responsibility is the selection of suitable investments for portfolios and ensuring our investment service meets your requirements. Robert is a member of the CFA Society of the UK and has successfully passed the examinations for all three levels of the Chartered Financial Analyst qualification.

## Key Portfolio Details

Launch Date	30th June 2020
Holdings	11
Historic Yield <sup>1</sup>	2.1%
Yield Target	n/a
Volatility <sup>2</sup>	9.0%
Benchmark	MSCI PIMFA Balanced
Model OCF <sup>3</sup>	0.7%
Service Charge <sup>4</sup>	2.2%

## 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.

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

<sup>2</sup> 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

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

<sup>4</sup> 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

In February, global equities declined by over 2.5% in sterling terms. UK equity market returns were relatively robust, finishing flat for the month. As in January, similar dynamics supported the UK market versus other global equity markets with a greater weighting in the UK towards stronger performing oil and mining companies compared with overseas bourses. In addition to the effect of a post-Covid bounce in commodity prices, the oil and mining sectors have also been boosted by the Russian invasion of Ukraine and the implications for future supply. Prior to these recent events share prices in UK listed miners had been growing ahead of the UK equity market since the start of the beginning of the recovery in prices in March 2020. UK oil stocks have been a little tardier but have been outperforming the broader UK market from October of last year.

Despite their core activity not being entirely consistent with the agenda on improving the environment, mining companies are an essential component of decarbonisation. Metals used for storing and transferring energy (copper, lithium, cobalt, manganese to name but a few) are already in high demand which will likely become more acute if there is a concerted effort made to meet climate targets. Oil prices have made a dramatic turnaround from spot price lows well below \$10 per barrel in April 2020 (and negative prices for futures contracts as supply exceeded available storage) to prices at the end of February approaching (and since far exceeding) \$100 per barrel. As the Covid restrictions on movement have subsided, demand for oil has surged having a positive impact on the revenues of oil companies.

In the shorter term, the prices of these natural resources that touch virtually all areas of economic activity have been driven higher by the impact of Russia's unwarranted aggression towards Ukraine. The outrage felt by other countries over the invasion has led to commercial ties with Russia being severed. Russia (and in some cases Ukraine) is a significant producer and exporter of industrial commodities. Any disruption to supply or decisions to ban or stop purchasing from sources linked to Russia would continue to put upwards pressure on these commodities as demand remains strong and potentially strengthens. Our analysis shows that some value remains in the UK oil sector, although this has been much reduced by performance year to date. Mining stocks appear less compelling, although our central assumption on a reversion in earnings from a cyclical peak may be premature given the possible acute supply and demand imbalances as highlighted above.

With regards to the holdings in the model portfolios, we do not have any focussed or direct Russian exposure and, even in the absence of the current moral arguments, sanctions, and market closures, it is not an area where we are likely to take a dedicated position. However, the commercial world is highly interconnected, complex, and opaque and there will be few investors that have no indirect exposure to Russia. In the absence of either side (Russia and most of the rest of the world) relenting their position it is inevitable that there will be a gradual unpicking of the financial tapestry that exists between Russia and many other countries disintegrating this indirect exposure (although there is the possibility of greater integration between Russia and China going forward).

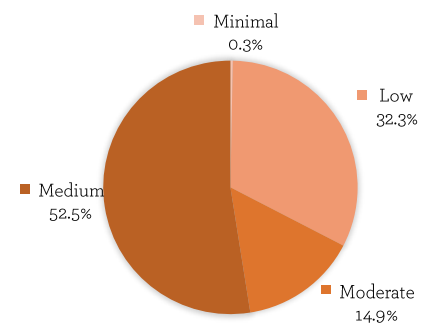
In the Ethical Balanced model portfolio returns were lower by -2.2% in February, behind the MSCI PIMFA Balanced benchmark which returned -1.5%. Against the index, strong relative performance in both our weighting and investment selection in global equities was offset by weaker performance from our fixed interest and UK equity fund exposure. The main detractor from performance was Rathbone Ethical Bond where widening spreads in credit markets had an impact on returns. This was accompanied by Royal London Ethical Bond (although returns were in line with the broader credit market) which was similarly impacted.

Currently, we observe that equity markets are moving towards a more reasonable level based on our assessment of long-term valuations. However, this is being driven by a crisis that has, at the very least, short term economic implications that could extend. In such a scenario, asset prices could fall beyond our fair value estimate and therefore we would clearly act prudently with regards to adding equity risk to the portfolios at this time. We are also conscious that the best time to buy equities is often at the point it feels the least comfortable to do so. We believe we are still some distance from that point but continue to plan our approach should sentiment continue to sour, or indeed, there is some unexpected resolution to the conflict.

## HOLDINGS

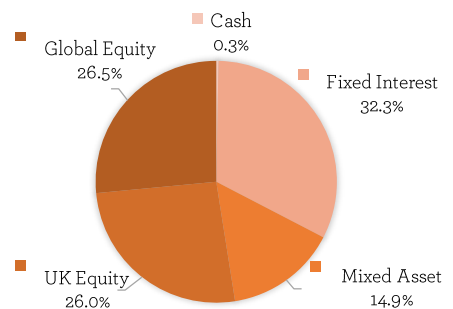
Name	Weight	OCF
EdenTree Responsible & Sustainable Sterling Bond	2.5%	0.59%
Rathbone Ethical Bond Fund	14.9%	0.65%
Royal London Ethical Bond	14.9%	0.40%
BNY Mellon Sustainable Real Return Inst	14.9%	0.81%
EdenTree Responsible & Sustainable UK Equity	7.5%	0.79%
BMO Responsible UK Income	10.0%	0.80%
Jupiter Responsible Income	8.5%	0.93%
BMO Responsible Global Equity	9.0%	0.80%
EdenTree Responsible & Sustainable Global Equity	8.0%	0.81%
Janus Henderson Global Sustainable Equity	9.5%	0.85%
Cash	0.3%	0.0%

## ASSET RISK



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.

