

WISE INVESTMENT LIMITED BALANCED

Pershing

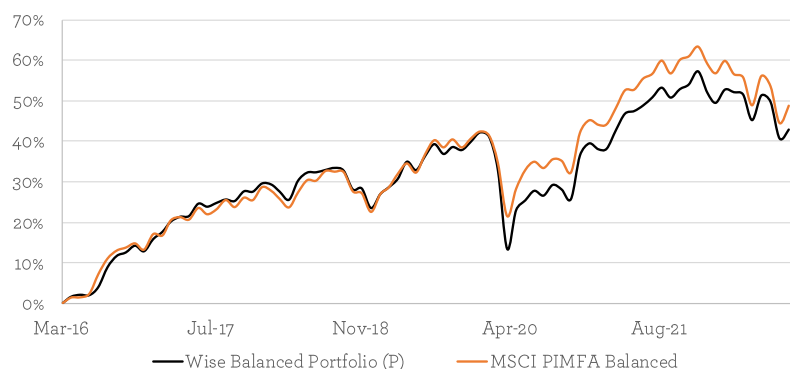
MONTHLY FACTSHEET

all data as at 31st October 2022

PORTFOLIO OBJECTIVES AND STRATEGY

The Wise 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 investing in a select and focussed list of funds (unit trusts, investment trusts and OEICs), with diversification across geography, asset class and investment style. These 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 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, and 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	5yr	Launch
Wise Balanced Portfolio (P)	1.6%	-5.6%	-6.1%	-6.5%	3.7%	12.0%	42.9%
MSCI PIMFA Balanced	3.0%	-4.7%	-5.0%	-7.1%	7.4%	18.0%	48.7%

DISCRETE ANNUAL PERFORMANCE

	31/10/2021	31/10/2020	31/10/2019	31/10/2018	31/10/2017
Wise Balanced Portfolio (P)	-6.5%	21.6%	-8.8%	7.6%	0.4%
MSCI PIMFA Balanced	-7.1%	21.0%	-4.5%	8.5%	1.2%

PORTFOLIO MANAGEMENT



ROBERT BLINKHORN

Head of Investment Management

Robert joined Wise Investment in July 2017 and has 20 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	3rd March 2016
Holdings	11
Historic Yield¹	3.5%
Volatility²	13.7%
Benchmark	MSCI PIMFA Balanced
Model OCF³	0.8%
Service Charge⁴	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.

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

In October, global equity markets were higher by just under 4% in sterling terms with Technology Service firms the main contributor to performance. Last month, the sector staged something of a recovery from what has been a very difficult year. The largest Technology Service companies are Microsoft, Alphabet (owner of Google) and Tencent which by themselves make up around a third of the sector by market capitalisation. At the end of September, the sector as a whole had fallen by almost -40% year to date. To some extent this decline was entirely justified in our view as by the end of 2021, investors had become overly enthusiastic about the prospects for Technology firms. Covid provided a catalyst to the uptake of technological equipment and services to facilitate business and leisure activities during the global lockdown period and this boosted corporate revenues of technology firms throughout last year which, on average, rose by 34%. Investors reacted to this with exuberance sending prices higher by almost 85% in dollar terms from the trough of markets in early 2020 to the end of 2021¹ so a correction in 2022 was in our view to be expected. For reference, the long-term trend growth of earnings for the sector is just under 10%; our long-term modelling identified that the Covid boost to earnings growth was unlikely to be sustainable.

There are a number of things that might happen to address abnormal earnings growth. For example, the burst in spending could slow once people and companies have the items and services they want and need. Alternatively attractive profits in a sector can lead to increased competition, which forces excessive earnings to be competed away. Thirdly, legislators could identify excessive profits and either enact laws to inhibit them, force a break-up of dominant businesses or tax and fine them heavily.

Over the long term, we expect earnings growth should generally revert back to a more normal level which we equate with an observable earnings growth rate for the sector. True to form, earnings from the Technology Service sector have begun to fall back in 2022, peaking in February and falling by around -7% to the end of October. Market commentators initially blamed rising interest rates as being the factor disproportionately hitting Technology firms. This premise is based on a bigger number being used to discount future earnings. However, it has never really been clear to us why large, profitable technology businesses should be dealt with more harshly than any other business. More recently, technology companies are guiding for slowing earnings in the face of a global recession and this is adding further pressure to share prices.

Now we do believe that short term changes in fundamentals have a significant impact on share prices. Whether the size of share price moves based on these short-term fundamental changes is justified is another matter – but the point is that they do move in this way. Having crested in February, just ahead of our estimated cyclical peak for earnings, we expect earnings to be no more than another -5.5% lower from their current levels based on long term growth rates and volatility of the Technology Service profit cycle. Based on this, we anticipate that the market price for the sector should be around 30% higher than it is today. To look at it another way, by our estimation, the market is pricing in earnings falls of around -25%. This is akin to the bursting of the dot com bubble over 20 years ago. The question we ask ourselves today is, ‘are technology companies today as precariously positioned as they were in 2000?’. Some are, but many of the larger, well established and profitable businesses we are interested in are not. Consequently, we have been judiciously adding to this exposure since mid-July and anticipate continued positive performance from it.

In the Balanced model portfolio, returns were higher by 1.6% in October. This was behind the MSCI PIMFA Balanced index that returned 3%. Underperformance against the benchmark came from across the portfolio but was mainly from equity positions. Leading the contribution to positive returns was JOHCM UK Equity Income and BNY Mellon Global Infrastructure Income. JOHCM UK Equity Income’s performance was led by its holding in oil company BP. Similarly, BNY Mellon Global Infrastructure Income was also buoyed by its holdings in Oil & Gas Pipeline businesses. The portfolio was rebalanced in October to take advantage of falling asset prices in August and September. General equity exposure was increased, as well as specifically adding to companies in the Technology sector where, as noted, there is an attractive valuation opportunity.

¹ This compares with the broader global market that recovered by an attractive but more modest 65% on the same basis.

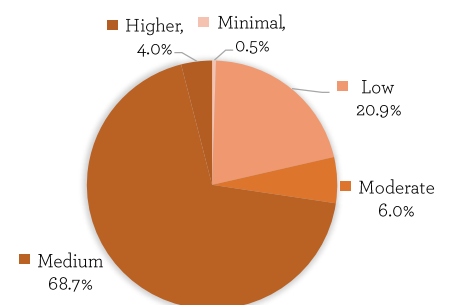
IMPORTANT INFORMATION

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.

HOLDINGS

Name	Weight	OCF
M&G Strategic Corporate Bond	6.0%	0.41%
Schroder Strategic Credit	14.9%	0.77%
BNY Mellon Real Return	6.0%	0.79%
CT Property Growth & Income	5.0%	1.03%
JOHCM UK Equity Income	14.9%	0.67%
TB Wise Multi-Asset Income	9.0%	0.71%
Fundsmith Equity	14.9%	0.94%
BNY Mellon Global Infrastructure Income	10.0%	0.81%
M&G Securities Global Dividend	14.9%	0.66%
Janus Henderson Global Technology Leaders	4.0%	0.85%
Cash	0.5%	0.0%

ASSET RISK



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

ASSET ALLOCATION

