

# WISE INVESTMENT LIMITED DEFENSIVE Pershing

## MONTHLY FACTSHEET

all data as at 28th February 2023

## PORTFOLIO MANAGEMENT



**ROBERT BLINKHORN**

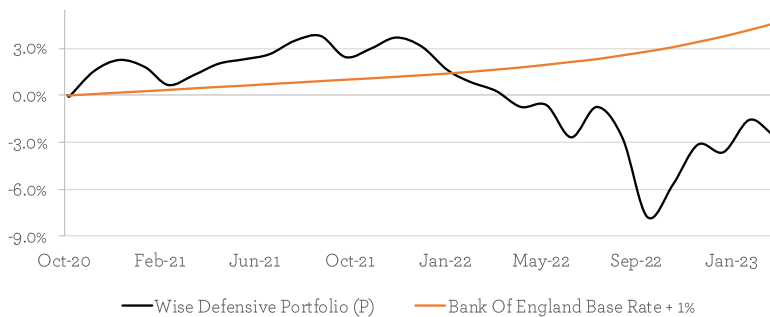
Head of Investment  
Management

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.

## PORTFOLIO OBJECTIVES AND STRATEGY

The Wise Defensive Model Portfolio is designed for clients who are looking for a total return in line with Bank of England Base rate + 1% over a 5 to 10 year period with lower volatility than could be expected from full exposure to the stock market. 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 selected with no more than 40% invested in 'medium' risk assets, such as shares and property. The balance of at least 60% 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 therefore consider the portfolio to be suitable for those willing to adopt a defensive risk profile.

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



## CUMULATIVE PERFORMANCE

	1m	3m	6m	1yr	Launch
Wise Defensive Portfolio (P)	-0.9%	0.7%	0.3%	-3.3%	-2.5%
Bank Of England Base Rate + 1%	0.4%	1.1%	2.0%	3.0%	4.6%

## DISCRETE ANNUAL PERFORMANCE

	28/02/2022	28/02/2021
	28/02/2023	28/02/2022
Wise Defensive Portfolio (P)	-3.3%	0.2%
Bank Of England Base Rate + 1%	3.0%	1.2%

## Key Portfolio Details

<b>Launch Date</b>	29th October 2020
<b>Holdings</b>	10
<b>Historic Yield<sup>1</sup></b>	2.9%
<b>Volatility<sup>2</sup></b>	5.6%
<b>Benchmark</b>	BoE Base Rate + 1.0%
<b>Model OCF<sup>3</sup></b>	0.5%
<b>Service Charge<sup>4</sup></b>	1.9%

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

3 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

Equity markets reversed some of the strong gains they achieved in the first month of the year with global equities lower by -0.8% for February. Regionally the picture was mixed with UK equities higher by 1.8% at one end and Asian and Emerging Market equities each lower by mid-single digits at the other. Large cap oil stocks (Shell & BP) which make up a sizeable proportion of the UK equity market largely drove returns domestically as the oil price stabilised around \$80 per barrel whilst Chinese banks weighed heavily on Asian and Emerging Markets with the wax and wane of sentiment around China's reopening and its generally deteriorating relationship with the US.

Prevailing value in UK equities as a whole has diminished in our view as large sectors such as Energy and Financials have rallied from the beginning of October last year. Some attractive areas remain in the UK equity market, but these tend to be in the smaller industrial sectors. Global equities have lagged the UK in this recent rally partly due to their greater weighting towards Technology stocks which have, until recently, delivered a more sedate recovery. We still see some value in Global equities led by what we believe is an overly pessimistic view of Technology companies which, as a group, experienced dramatic falls in their share prices last year. Year-to-date, performance of Technology stocks has been incredibly strong which we expect to continue and therefore we maintain a constructive position towards the sector across the portfolios.

The UK listed real estate sector was marginally lower over the month by -0.6%. Physical property funds collectively declined by -0.1%. As with the Technology sector above, stock prices in the listed real estate sector have been under substantial pressure as investors have priced in the impact of rising interest rates and a slowing economy on the asset values of commercial properties. However, as with Technology stocks, we think these expectations may be overdone. Although there are undoubtedly ongoing challenges for the commercial property market, these factors seem to be more than priced in. This suggests to us some price recovery going forward.

Fixed interest assets across the risk spectrum declined with the more interest rate sensitive securities such as UK Government Bonds, leading prices lower. Interest rates across the yield curve moved around 0.4% higher sending the UK Gilt market down by -3.3% with the more volatile index linked market (due to its overall longer maturity profile) lower by -4.7%. High yield corporate bonds, which are more sensitive to risk appetite than small changes in interest rates, were relatively unscathed, lower by just -0.6%. Corporate bonds rated just below investment grade continue to look attractive with yields to maturity in the region of around 8%. This has been reflected, where appropriate, across the portfolios.

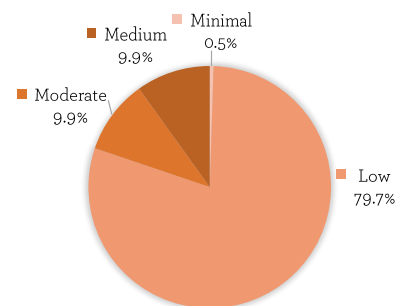
In the Defensive model portfolio, returns were lower by -0.9% in February. This was behind the benchmark, the Bank of England Base Rate + 1%, which returned 0.4%. Fixed interest strategies that are particularly sensitive to interest rate changes such as government bond fund L&G All stocks Gilt Index and investment grade credit fund M&G Strategic Corporate Bond led the portfolio lower. This offset positive returns from equity and credit positions.

As noted last month, although we still see value in some sectors, equity markets, more broadly, have lost a significant amount of the appeal we identified in September last year as global fears over rising interest rates and an economic recession were topped off by a poorly received UK Budget. This led to severe asset price falls where we chose to add to risk assets such as equities. Much of the potential return we recognised at that time has now been realised and after a strong start to the year, equity markets have rolled over from the middle of this month. Given the generally full values, we feel that security selection within markets has become more relevant now than it has been for some time and differentiation from broad indices will be the driver of positive relative returns from this point.

## HOLDINGS

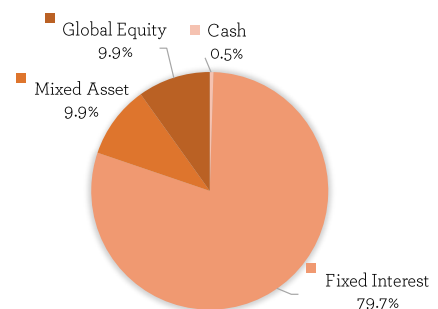
Name	Weight	OCF
Schroder Strategic Credit	15.0%	0.77%
L&G All Stocks Gilt Index Trust	9.9%	0.15%
M&G Strategic Corporate Bond	9.9%	0.43%
L&G Short Dated Sterling Corporate Bond	15.0%	0.14%
M&G UK Inflation Linked Corporate Bond	14.9%	0.44%
TwentyFour Absolute Return Credit	15.0%	0.35%
BNY Mellon Real Return	9.9%	0.94%
BNY Mellon Global Infrastructure Income	4.9%	0.81%
Fundsmith Equity	5.0%	0.94%
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



### 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.

