WISE INVESTMENT LIMITED DEFENSIVE
Pershing

MONTHLY FACTSHEET

all data as at 31st May 2023

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.
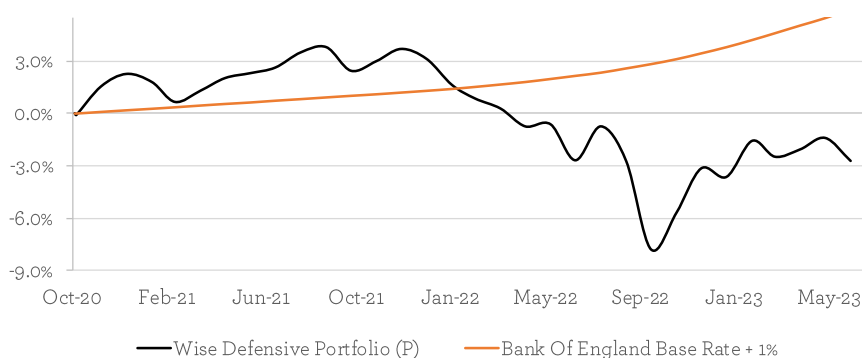
PORTFOLIO MANAGEMENT

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.

PERFORMANCE SINCE LAUNCH (using month-end data)

Key Portfolio Details

Launch Date	29th October 2020
Holdings	10
Historic Yield[1]	3.4%
Volatility[2]	5.4%
Benchmark	BoE Base Rate + 1.0%
Model OCF[3]	0.5%
Service Charge[4]	1.9%

CUMULATIVE PERFORMANCE

	1m	3m	6m	1yr	Launch
Wise Defensive Portfolio (P)	-1.3%	-0.2%	0.4%	-2.1%	-2.7%
Bank Of England Base Rate + 1%	0.5%	1.3%	2.4%	3.9%	5.9%

DISCRETE ANNUAL PERFORMANCE

	31/05/2022 31/05/2023	31/05/2021 31/05/2022
Wise Defensive Portfolio (P)	-2.1%	-2.9%
Bank Of England Base Rate + 1%	3.9%	1.3%

Contact Details

Wise Investments Ltd
The Great Barn
Chalford Park Barns
Chipping Norton
OX7 5QR
Switchboard: 01608 695100
Website: www.wiseinvestment.co.uk

MONTHLY COMMENTARY

Global equity markets were slightly positive in May driven by US and Japanese equities with a fillip from the US dollar. The Technology sector led returns both in May and has done for the year so far. There are a number of factors at play here. Technology stocks reached excessive valuations in 2021 after supercharged spending by consumers and businesses during Covid. The slowdown in capital flows coupled with rising interest rates in 2022 led investors to review the prospects for Technology businesses ultimately concluding they were overvalued. Consequently, the sector sold off throughout most of 2022. However, just as markets can be excessively positive and overvalued (as they were in 2021), they can also be excessively negative and undervalue businesses (as in 2022). Therefore, part of the recent strong performance is a revaluation of the sector back to more sensible levels.

Another significant aspect driving performance is the excitement around artificial intelligence and its presumed ubiquitous application. There is no doubt in my mind that functions utilising artificial intelligence will increase substantially over time, but markets can often price the hype of a theme only to become disappointed when the reality of timescales and costs hit home. That is not to say the recent performance of Technology stocks can't continue. It's just that post revaluation, our expectations of return from this sector differs little from the broader market and so we see limited value in continuing to have a position concentrated in this area.

Listed real estate was weak whilst physical property indices showed a slight positive performance. The UK listed real estate index, with businesses such as SEGRO, Land Securities and British Land is now lower than it was during the depths of the Covid crisis. This is largely due to the rise in interest rates, concerns over banks' willingness to lend and the varied return-to-office policies applied since distancing measures were removed. There are undoubtedly challenges for commercial real estate generally (another is the cost of the retrospective mandatory fixing of the poor eco-efficiency of commercial buildings) but, like the Technology sector, we feel these things are being priced with overly aggressive negativity and therefore maintain a constructive exposure to the sector.

Long term UK interest rates moved higher over the month sending UK Government Bond prices lower. Inflation is declining at a slower pace than expected putting more uncertainty around the point when interest rate rises will peak and how long they might stay at these 'elevated' levels. Less rate sensitive areas such as corporate bonds performed better but were still lower on the month. Despite the correction in the yield curve, bond markets continue to price lower rates in the near future. This has created an (unusual) inverted yield curve where shorter dated yields are higher than longer dated ones making bonds with near term maturities look particularly attractive.

In the Defensive model portfolio, returns were lower by -1.3% in May. This was behind the benchmark, the Bank of England Base Rate + 1%, which returned 0.5%. Rising longer term interest rates placed significant pressure on bonds during the month with UK Government Bonds and longer dated investment grade credit bearing the brunt of the impact. The portfolio remains heavily invested in shorter dated securities which helps to mitigate this effect and take advantage of higher yields available at the short end of the yield curve.

The slight pullback in UK equities has improved valuations month on month making us more sanguine with a slight overweight in UK equities. Similarly, global equities continue to offer a reasonable return for the risk of holding cyclically sensitive assets. Our tilt towards Technology equities has reached a point where we don't envisage significantly divergent returns compared to the broader market. Listed real estate remains attractive and a potential driver of positive returns going forward as well as the attractive yield from shorter dated corporate bonds. Our challenge, as ever, is to allocate capital optimally amongst these areas to provide returns commensurate with risk appetite.
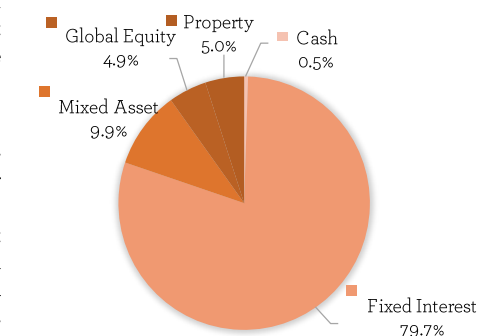
HOLDINGS

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%	0.43%
TwentyFour Absolute Return Credit	15.0%	0.35%
BNY Mellon Real Return	9.9%	0.94%
CT Property Growth & Income	5.0%	1.03%
BNY Mellon Global Infrastructure Income	4.9%	0.53%
Cash	0.5%	0.0%

ASSET RISK

- Minimal 0.5%
- Medium 9.9%
- Moderate 9.9%
- Low 79.7%
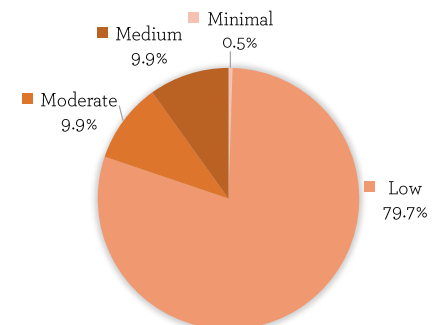
For Asset Risk Category definitions see the Wise Investment Risk Appendix, supplied to investors in the model portfolios.

ASSET ALLOCATION

- Global Equity 4.9%
- Property 5.0%
- Cash 0.5%
- Mixed Asset 9.9%
- Fixed Interest 79.7%