

WISE INVESTMENT LIMITED - ETHICAL BALANCED

Pershing

MONTHLY FACTSHEET

all data as at 29th February 2024

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 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)	2.2%	7.5%	9.0%	8.4%	9.9%	20.4%
MSCI PIMFA Balanced	2.1%	5.9%	7.7%	8.8%	16.8%	24.8%

DISCRETE ANNUAL PERFORMANCE

	28/02/2023	28/02/2022	28/02/2021
	29/02/2024	28/02/2023	28/02/2022
Wise Ethical Balanced Portfolio (P)	8.4%	-2.2%	3.7%
MSCI PIMFA Balanced	8.8%	-1.3%	8.7%

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	8
Historic Yield¹	2.3%
Volatility²	9.2%
Benchmark	MSCI PIMFA Balanced
Model OCF³	0.5%
Service Charge⁴	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

February was another strong month for investors as markets continued on a steady “bull run” that started in back in October spurred by the hope of upcoming central bank rate cuts and enthusiasm for technology stocks.

Global equities returned a massive 4.94% (in sterling) largely driven by the world’s largest market, the US, returning 6.03%. The US has a high concentration of large (\$100bn+ market cap) and Megacap (\$1tn+ market cap) stocks some of which (Apple and Microsoft) are larger on their own than the entire UK stock market. Indeed, the top 20 US listed tech companies make up over a 3rd of the S&P 500 (the flagship US large cap index).

While most technology stocks are booming, the stock of the moment is Nvidia, a GPU (graphics processing Unit – think fancy computer chips) company whose product is considered the gold standard for AI computation. GPUs were initially developed for the complex compute necessary to render immersive video game graphics. GPUs (and Nvidia) also came to the fore during the crypto craze in the late 2010’s and early 2020’s as they were well tuned for solving the complex puzzles needed to mine tokens such as Bitcoin. However, it is in more recent times that GPUs have shown their true potential, as the critical component necessary for the massive computing power needed to train AI models.

AI suddenly becoming much more mainstream since the release of OpenAi’s ChatGPT, has caused businesses to scramble, either to produce their own AI product or at least incorporate AI into their business processes, both of which require a substantial investment in datacentres boosting technology spend much of which trickles through to Nvidia. After a blockbuster earnings, Nvidia is up nearly 30% in February alone, an insane rise for a trillion dollar company, now the 3rd largest in the world by market cap.

Two other equity markets had a strong February – EM (Emerging Markets) and Japan.

Japan rose 3.69%, adding to it’s recent hot streak, having returned 21.48% in pound sterling terms on a rolling one year basis, despite a 12% headwind from currency depreciation. This is a fairly overdue correction as Japanese stocks have long traded at a substantial discount to their western peers. There are a few reasons for this, a key one is Japan’s fairly stagnant growth combined with worrying demographic shift of an aging population. Another is their odd corporate governance with management teams hoarding cash (rather than investing it in growth or returning it to shareholders) or insisting on strange cross holdings e.g an industrial widget manufacturer owning a portfolio of golf courses. While the former issue is sadly here to stay, the latter has been cracked down on by the Tokyo stock exchange threatening to name and shame those businesses with poor capital management. This has prompted the recent rally and propelled the market to highs not seen for more than 30 years – long overdue!

In EM, the story is more of a mean reversion. Stocks in emerging markets do tend to trade a discount due to valid concerns over their corporate governance (do YOU really own this, or does the government allow you too...?) as well as the volatility from currency effects, high concentration in cyclical industries (energy, banking, materials) and reliance on often unstable economies. However, Emerging market stocks were trading at a substantial (of not excessive) discount for a while, a gap that widened further in late 2023 as DM (Developed markets) went on a tear. This recent EM rally is likely the start of a shift back to a fairer comparative valuation, but these things are never smooth, so expect some volatility along the way.

The rest of the investing world was fairly muted in February. The UK stock market returned a paltry 0.44%, lagging Europe’s solid 2.69%. Fixed income returns were generally poor due to greater anticipated delay before the long awaited rate cuts. The Gilts index returned -1.29%, corporate bonds returned -0.64 while cash, index linked bonds and high yield bonds returned 0.36%, 0.26% and 0.39% respectively.

Finally, property also had a poor month, moving in similar line to fixed income due to its often high debt levels. The UK direct holdings benchmark was down 0.74% while the listed real estate index dropped 4.22%.

The Ethical Balanced model returned +2.24% slightly ahead of +2.09% for the benchmark (PIMFA Growth). This was driven by exposure to global equities that are more tilted to the growth and quality factors associated with ethical funds.

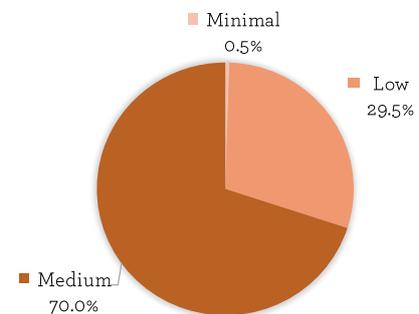
We haven’t made any significant changes to the Ethical Growth model portfolio this month. We continue favour higher quality and shorter dated bonds in our fixed income portfolio along with a solid core of global equity exposure via the low fee passive Vanguard ESG developed world all cap equity index fund as well as the Fundsmith sustainable equity fund. We also maintain a modest 15% position in the Aegon ethical equity fund to capture the discount we see in the UK market as well as 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.

The Balanced model remains a bit behind its benchmark on a 1yr and 3 yr basis, returning 8.42% and 9.93% respectively (vs 8.83% and 16.77% for the benchmark).

HOLDINGS

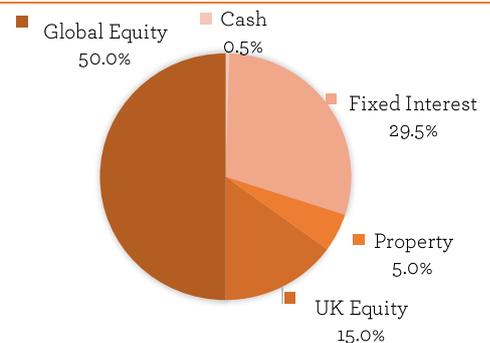
Name	Weight	OCF
EdenTree R&S Short Dated Bond	10.0%	0.38%
Rathbone Ethical Bond Fund	5.0%	0.66%
TwentyFour Sustainable Short term bond	14.5%	0.36%
Aegon Ethical Equity	15.0%	0.77%
Fundsmith Ethical	15.0%	0.96%
Vanguard ESG Developed World Equity Index	35.0%	0.20%
Schroder Global Cities Real Estate	5.0%	0.93%
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.

