

WISE INVESTMENT LIMITED - BALANCED

Pershing



MONTHLY FACTSHEET

all data as at 31st August 2024

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 to be 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)	0.2%	2.3%	6.1%	14.8%	17.5%	31.6%	80.1%
MSCI PIMFA Balanced	0.3%	2.8%	6.4%	14.6%	12.0%	29.4%	79.1%

DISCRETE ANNUAL PERFORMANCE

	31/08/2023	31/08/2022	31/08/2021	31/08/2020	31/08/2019
	31/08/2024	31/08/2023	31/08/2022	31/08/2021	31/08/2020
Wise Balanced Portfolio (P)	14.8%	4.8%	-2.3%	18.6%	-5.6%
MSCI PIMFA Balanced	14.6%	1.8%	-4.0%	18.0%	-2.1%

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	3rd March 2016
Holdings	9
Historic Yield¹	3.1%
Volatility²	8.1%
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

August was a very volatile month for investors seeing some extreme market moves precipitated by events in Japan. Japan for a long time has been cursed with stagnant growth but blessed with no inflation. As a result the Bank of Japan (BOJ), among other initiatives has held interest rates at near 0% for a long time, while the rest of the world has had relatively high interest rates (~5%) to combat post-covid (and post Ukraine invasion) inflation. This led to a rather valuable “carry trade” where investors and speculators would borrow Japanese yen at near 0% and invest it in GILTs, Treasuries (at 5%) or Japanese stocks – the latter of which has benefitted from recent moves by the Tokyo exchange to strengthen corporate governance and push for growth.

Recently, however the BOJ did raise rates (very slightly) while other central banks have begun (or look set to begin) cutting rates. As Japanese stocks slid through July and early August, this put pressure on those who had borrowed to buy stocks as their interest payments were increasing and the equity position was diminishing. On the Monday 5th this hit a breaking point causing the Japanese index to snap down 12% in one day and other markets to follow with mid-single digit % drops themselves. Markets (including Japan) bounced back sharply as thankfully the issue wasn't too widespread however it has shown that markets, particularly those which are looking a bit extended, are perhaps more fragile than widely thought.

In the end most equity markets actually had a fairly decent month thanks to an extended recovery through the mid and latter part of the month with world equities up 0.3%. The US market was up 0.1%, UK up 0.7% and Europe up the most at 1.8% in sterling terms – worth noting that the US return was muted from the pound strengthening 2.3% vs the US dollar.

Japan did still end the month down but only -1.8%. Emerging markets didn't have a great month either and ended down -0.7%.

Fixed income was fairly steady with gilts returning 0.4%, corporate bonds returning 0.3%, and high yield pulling in a strong 1.2% return. Real estate saw 0.2% and 0.3% return for liquid real estate and direct real estate respectively.

Looking forward, we remain cautious on global equities, especially given recent volatility particularly in the US and Japanese markets and preferring the valuations and back drop of other markets such as the UK equity market. Upcoming rate cuts, however, should provide broad support.

In fixed income, we now look to be headed into the cutting part of the cycle where the question becomes, how quickly and deeply will central banks cut. We believe that cuts will not perhaps go as quick and far as markets seem to be predicting and should see a normalising yield curve (which is currently rather flat) thus the ideal spot is likely to be to position in the central “belly” of the curve as appropriate to portfolio time horizons and risk tolerance.

The Balanced model returned 0.17%, behind the benchmark (PIMFA Balanced) return of 0.32%.

The model's monthly performance was again impacted by timing discrepancies, as UK listed funds typically price themselves at 12 a.m. before the US markets close. As a result, the strong performance of the US market on the last day of the month was not fully captured in the model's returns. For instance, Fidelity Index World posted a return of just 0.03%, while the nearly identical MSCI World Index, which represents the global equity portion of the benchmark, gained +0.3%. However, this effect is expected to reverse in the following month as the timing differences balance out.

However, notable underperforming positions include the position in the JOHCM UK equity income fund which returned -0.5% while outperformers include the Fundsmith Equity fund returning +1.7% and the CT Property fund returning +1.9%.

In terms of portfolio positioning, we reduced the position in the Fidelity Index World fund down 10% to blunt the impact of any market shock that may have come through during the Japanese “flash crash”. Once volatility had subsided, we restored 5% into the position, not fully restoring it as we remain cautious on US equity valuations.

We maintain our position JOHCM UK Equity Income fund to capture the substantial discount we see in the traditional “deep value” parts of the UK market.

Tactically, we also have a 5% position in the Janus Henderson Global Life Sciences fund to take advantage of the attractive valuations in the healthcare sector – a sector that has also enjoyed strong long-term returns due to the high-quality nature of many healthcare businesses and the steady secular growth trends they are exposed to (e.g aging populations).

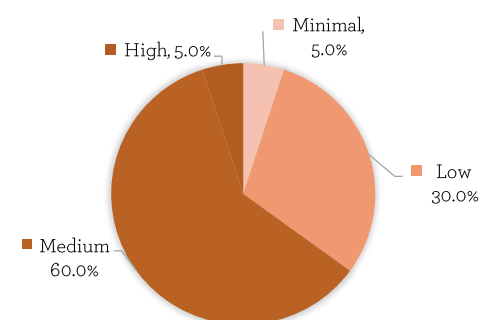
We also retain a small position in the CT Property fund, as we continue to see value in this down beaten asset class as shown by the depressed prices in commercial properties and large net asset value discounts in listed real estate trusts.

The Balanced model remains nicely ahead of its benchmark on a 1yr, 3 yr and 5yr basis, returning 14.8%, 17.5% and 31.6% respectively (vs 14.6%, 12.1% and 29.4% for the benchmark). Worth noting also, is that this outperformance hasn't been achieved through excess risk taking, rather, it has in fact been achieved with significantly less volatility than the benchmark, protecting investors from excessive price movements while simultaneously generating a higher return.

HOLDINGS

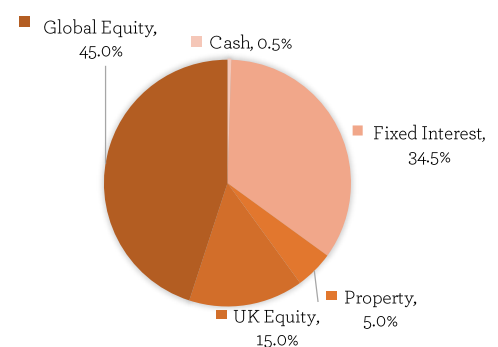
Name	Weight	OCF
Premier Miton UK Money Market	45%	0.16%
TwentyFour Monument Bond	5.0%	0.39%
TwentyFour Absolute Return Credit	25.0%	0.36%
CT Property Growth & Income	5.0%	1.03%
JOHCM UK Equity Income	15.0%	0.69%
Fundsmith Equity	15.0%	0.94%
Fidelity Index World	25.0%	0.12%
Janus Henderson Global Life Sciences	5.0%	0.76%
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.



