

# WISE INVESTMENT LIMITED CAUTIOUS

Pershing

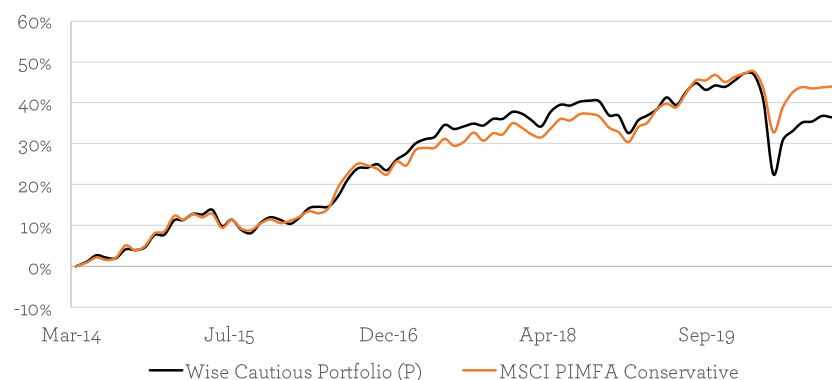
## MONTHLY FACTSHEET

all data as at 30th September 2020

### PORTFOLIO OBJECTIVES AND STRATEGY

The Wise Cautious Model Portfolio is designed for clients who are looking for a level of income plus capital growth in line with the MSCI PIMFA Conservative index over a 5 to 10 year period, but 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 aims to provide income of 3.0% or more per year. The Portfolio is selected with no more than 60% invested in 'medium' risk assets, such as shares and property. The balance of at least 40% 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 cautious risk profile.

### PERFORMANCE SINCE LAUNCH



### CUMULATIVE PERFORMANCE

	1m	3m	6m	1yr	3yr	5yr	Launch
Wise Cautious Portfolio (P)	-0.2%	0.9%	11.3%	-5.4%	1.5%	26.2%	36.4%
MSCI PIMFA Conservative	0.1%	0.1%	8.4%	-1.9%	10.1%	32.3%	44.0%

### DISCRETE ANNUAL PERFORMANCE

	30/09/2019	30/09/2018	30/09/2017	30/09/2016	30/09/2015
	30/09/2020	30/09/2019	30/09/2018	30/09/2017	30/09/2016
Wise Cautious Portfolio (P)	-5.4%	2.8%	4.4%	8.3%	14.8%
MSCI PIMFA Conservative	-1.9%	7.4%	4.5%	4.8%	14.5%

### PORTFOLIO MANAGEMENT



#### ROBERT BLINKHORN

Head of Investment  
Management

Robert joined Wise Investment in July 2017 and has 17 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	28th March 2014
Holdings	11
Historic Yield <sup>1</sup>	2.2%
Volatility <sup>2</sup>	9.9%
Benchmark	MSCI PIMFA Conservative
Model OCF <sup>3</sup>	0.5%
Service Fee <sup>4</sup>	1.4%

### Contact Details

Wise Investments Ltd	
The Long Barn	
Chalford Park Barns	
Chipping Norton	
OX7 5QR	
Switchboard:	01608 695100
Website:	<a href="http://www.wiseinvestment.co.uk">www.wiseinvestment.co.uk</a>

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. Past performance is not a reliable indicator of future results. This document should not be construed as an investment recommendation.

<sup>1</sup> The Historic Yield is the weighted average yield of the model based on the model's current constituents

<sup>2</sup> 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

<sup>3</sup> The Model OCF calculates the annual charges levied by the underlying fund holdings according to the model portfolio weights

<sup>4</sup> The Service Fee incorporates standard non-tiered annual fees levied by Wise Investments Ltd and custodian fees

(P) refers to the assets being held in custody at Pershing Securities Limited



## MONTHLY COMMENTARY

In September, global equities were flat in sterling terms with weakness in the pound boosting returns from declining foreign equity markets. Consequently, without the benefit of foreign currency adjustments, UK equities delivered the lowest return from regional equity markets in sterling terms. Amongst global equity industry sectors, Industrial Services were the weakest. The sector covers a broad range of business types such as oil transfer and storage, infrastructure and waste management. However, these businesses tend to be connected by their sensitivity to economic conditions and/or commodity prices which often determines the spending patterns and general behaviour of their end customers. They also tend to be smaller companies that specialise in particular niche products or services. Performance of Industrials in September suggests that the core of economies continues to be significantly impacted by the measures taken to stem the transmission of the Covid-19 virus. Uncertainty has led investors to severely discount businesses in this space, particularly those involved in supplying services and equipment to oil companies (which currently have their own idiosyncratic challenges in terms of commodity prices and the longer term viability of their main product line in light of the continuing rise of renewable alternatives).

Generally speaking, however, equity markets are currently trading at unattractively high levels in our view. The US market appears to have drawn the highest premium from investors. This is not least because of its weighting towards the Tech sector, which has grown to dominate the US stock markets in the last 10 years due to giants such as Apple, Amazon, Microsoft and Alphabet (owner of Google). Capital has been channelled towards businesses that have not only remained strong throughout the pandemic but have become even more profitable and dominant because of it. Thus, in one sense, the strong performance of the Tech sector is understandable - but for long term investors there is also the question of valuation to consider.

Take the Global Telecommunications Equipment sector as an example, whose largest component is Apple at around 70% of the index. Our modelling shows that earnings from this sector need to grow by around 140% to justify the current price. Clearly this is entirely possible, in fact one might say it is virtually a certainty given long enough. However, the critical question in estimating an appropriate price today is precisely how long it might take to get there. Over the last two decades, annual earnings growth has ranged between almost doubling to halving year on year. However, the average growth rate for the sector as a whole over this period has been just over 8%. At this rate we estimate that it would take a little over 11 years to reach an earnings level that justifies the current price. This suggests a bit of a stretch for us bearing in mind that experts forecast earnings growth in the sector to remain flat for the at least the next 12 months and there is no evidence to suggest future earnings are to be consistently higher going forward than previously experienced.

Of course, experts can be wrong and there could be a significant step change in the fortunes of businesses involved in telecommunications. However, we tend to prefer the more usual explanation for prices disconnecting wildly from current and probable near-term fundamentals - namely the over enthusiasm of investors.

Elsewhere, property related securities were weaker. Daily rates of positive tests for Covid-19 have increased and the UK Government has begun reversing some of the easing measures brought in during the summer after the lockdown in the first half of the year.

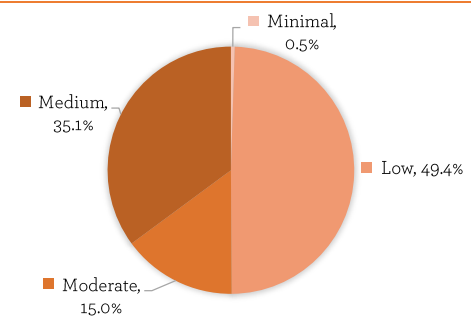
Fixed interest returns were also higher with the exception of some more speculative securities. A decline in longer term interest rates spurred quality bonds as investors revised the effects of resurging infections on the longer-term health of the economy.

As reported in the 30 June 2020 factsheet commentary, generating income in current markets continues to be a challenge and the weighted average yield on the portfolio is currently running below the target yield. We continue to monitor this closely and to balance the demands of the yield target with the objective to achieve capital growth.

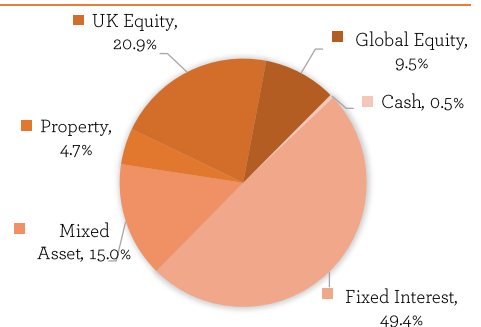
## HOLDINGS

Royal London Short Duration Gilts	15.0%
M&G Strategic Corporate Bond	12.7%
TwentyFour Absolute Return Credit	15.0%
L&G All Stocks Gilt Index Trust	6.7%
BNY Mellon Real Return	15.0%
BMO Property Growth & Income	4.7%
TB Evenlode Income	7.0%
TB Wise Multi-Asset Income	13.9%
TB Evenlode Global Income	6.0%
M&G Securities Global Dividend	3.5%
Cash	0.5%

## ASSET RISK



## 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.

