

# WISE INVESTMENT LIMITED ETHICAL BALANCED

## Pershing

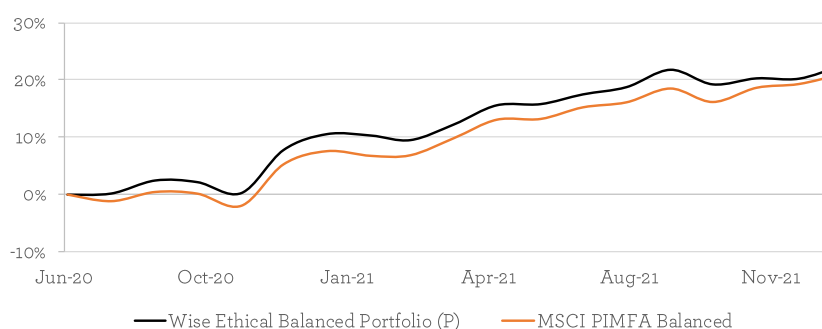
### MONTHLY FACTSHEET

all data as at 31st December 2021

## PORTFOLIO OBJECTIVES AND STRATEGY

The Wise Ethical Balanced Model Portfolio is designed for clients who are looking for a level of capital growth 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 no more than 80% is invested in 'medium' risk assets, such as shares and property. The balance of at least 20% 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 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	Launch
Wise Ethical Balanced Portfolio (P)	1.9%	2.8%	4.3%	10.8%	22.6%
MSCI PIMFA Balanced	1.5%	4.2%	5.1%	12.5%	21.1%

## DISCRETE ANNUAL PERFORMANCE

	31/12/2020	31/12/2021
Wise Ethical Balanced Portfolio (P)		10.8%
MSCI PIMFA Balanced		12.5%

## PORTFOLIO MANAGEMENT



### ROBERT BLINKHORN

Head of Investment Management

Robert joined Wise Investment in July 2017 and has 18 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	30th June 2020
Holdings	11
Historic Yield <sup>1</sup>	2.0%
Yield Target	n/a
Volatility <sup>2</sup>	7.6%
Benchmark	MSCI PIMFA Balanced
Model OCF <sup>3</sup>	0.7%
Service Charge <sup>4</sup>	2.2%

## 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.

<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 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

In December, global equities rose by 1.8% in sterling terms. The UK equity market was a standout performer as the sterling-based return from overseas equity markets were generally hampered by a strong pound. The easing sentiment around the impact of the Omicron variant of Covid and the relatively muted political response to the now dominant mutation, particularly in the UK, gave some Christmas cheer to markets and helped support more cyclical areas of the economy. However, there is still the potential for a more transmissible, even if less virulent, Covid to be a disruptive force. People can still be too ill to work, self-isolation remains a requirement for positive cases and unvaccinated contacts, a proportion of cases still require hospitalisation and there will always be people medically vulnerable to some degree. That said, it feels as though we have entered a new phase of life with Covid where we manage our lives more normally around the risk it might pose to ourselves and others.

Many equity markets have surpassed the price levels they were at pre-pandemic. The UK market is a notable exception as at the end of 2021 but is only a shade behind its last peak in January 2020. Globally, earnings have made a strong recovery from their lows in the late summer of that year although it is questionable that the pace of growth from that nadir is sustainable for any prolonged period. Investment markets certainly seem to be pricing in either a protracted period of above average earnings growth or a much lower discount rate (or both) making equity markets appear fully valued on our measurements. Obviously, the supportive rally for markets from the recent data regarding Covid is welcome but doesn't ease our concern regarding long term valuations, particularly overseas markets such as Continental Europe and the US.

Fixed interest performed poorly in December save for riskier high yield issues. Interest rates moved higher particularly at the longer end (15 years +) of the interest rate curve. This had a particularly negative impact on UK Government Index Linked Bonds which, as a group, tend to have a longer maturity profile than UK Gilts (which have a fixed rather than inflation linked return). This was compounded by a pullback in inflation expectations which further depressed the price of index linked bonds. Investment grade credit was not immune to the rise in yields despite risk appetite being robust. As noted, high yield bonds that have a shorter maturity and tend to trade more in line with equity managed to deliver small positive returns as an asset class during the month.

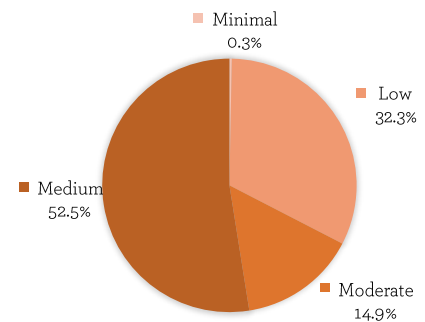
The Ethical Balanced model portfolio was higher by 1.9% in December, significantly ahead of the MSCI PIMFA Balanced benchmark which returned 1.5%. Outperformance was mainly due to stronger performance from UK equity funds held in the portfolio relative to the broader market. Leading the contribution to portfolio returns was BMO Responsible Income where more cyclically exposed Transportation names performed well. This was due to improved market sentiment towards the Covid virus and the dominant strain which may lead to a softening of social distancing and travel restrictions.

There is clearly some momentum behind equity markets, which makes it challenging to lean against (our portfolios are underweight global equities and neutral towards UK equities versus their benchmarks). However, market momentum can and often does change spectacularly as the mood music alters. Consequently, as we observe equity market prices increasing more rapidly than fundamentals, we are gradually reducing portfolio equity exposure to help preserve capital should sentiment change and provide opportunity to reinvest at more attractive levels. Quite what the trigger will be to alter sentiment is harder to pin down. The obvious candidate is overnight rate increases by central banks. Although, a world of higher interest rates has been well signalled, particularly in the anglophone countries, and markets have largely taken this in their stride. Less clear is the pace of change and ultimate level rates might get to which could disrupt sentiment, at least in the short term. As ever, the devil is in the detail.....

## HOLDINGS

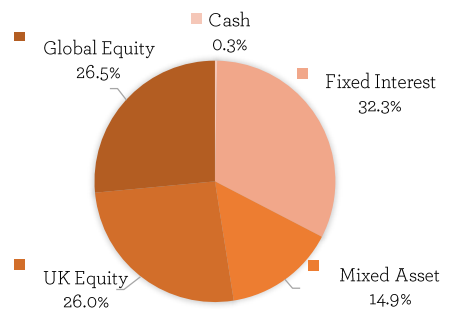
Name	Weight	OCF
EdenTree Responsible & Sustainable Sterling Bond	2.5%	0.59%
Rathbone Ethical Bond Fund	14.9%	0.65%
Royal London Ethical Bond	14.9%	0.40%
BNY Mellon Sustainable Real Return Inst	14.9%	0.83%
EdenTree Responsible & Sustainable UK Equity	7.5%	0.79%
BMO Responsible UK Income	10.0%	0.80%
Jupiter Responsible Income	8.5%	0.93%
BMO Responsible Global Equity	9.0%	0.79%
EdenTree Responsible & Sustainable Global Equity	8.0%	0.81%
Janus Henderson Global Sustainable Equity	9.5%	0.85%
Cash	0.3%	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.

