Issue date: April 2021

WISE INVESTMENT LIMITED ETHICAL BALANCED

Pershing

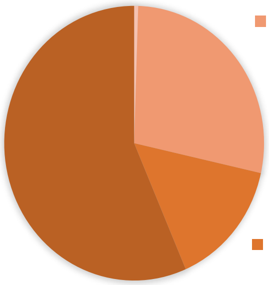
MONTHLY FACTSHEET

all data as at 31st March 2021

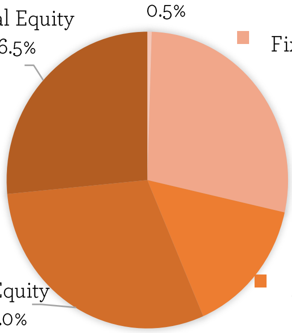
PORTFOLIO OBJECTIVES AND STRATEGY

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.

ASSET RISK



ASSET ALLOCATION



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	30th June 2020
Holdings	10
Historic Yield[1]	2.0%
Benchmark	MSCI PIMFA Balanced
Model OCF[2]	0.8%
Service Charge[3]	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.

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

2 The Model OCF calculates the annual charges levied by the underlying fund holdings according to the model portfolio weights

3 The Service Fee incorporates 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.

WISE INVESTMENT
PLANNING FOR LIFE

MONTHLY COMMENTARY

In March, global equities delivered just over 4.7% in sterling terms with banking and other financial related stocks leading the contribution to return. This performance was driven by a sustained rise in interest rates and improving sentiment towards the economy as there is a sense of a return to some sort of pre-Covid normalcy. Since November of last year, there has been a clear rotation in the performance of underlying equity market sectors. A year ago, investors shunned businesses that are more economically sensitive such as those involved in banking, commodities or industrial enterprises and therefore they declined further in the panic and underperformed in the initial recovery. However, more recently, investors have now switched their attention to these sectors as they look for relative value and are more at ease with the economic backdrop.

Our concerns remain that investors have generally bid up prices of stocks to a point that not only reflects a full recovery from the effects of Covid but assumes significant additional growth. Prior to the lockdown that had such a severe negative impact on corporate profits around the world, earnings growth had been what could be best described as lacklustre for over 12 months. According to the data we analyse, during the lockdown global corporate annual earnings declined around -15% from the end of February to the end of August 2020. Since the end of summer, annual earnings have made a steady recovery and are around 7% below their pre-pandemic levels. Crucially, our data and investment models suggest that earnings need to grow by another 50% to justify current price levels. Although not impossible (after a severe decline in earnings one might naturally expect a strong recovery), historically annual earnings growth has tended to peak around 25% in a recovery period. This has also tended to be short lived, with annual growth being below the c. +5% average in subsequent years after the peak and often negative for a period. So although we cannot entirely rule out a multi-year compounding of earnings recovery and accretion that go substantially beyond previous levels, this does seem a little over enthusiastic to us. Yet despite our caution, we wouldn't necessarily be so bold as to identify a point in time when this sustained price appreciation might unravel either. Therefore, our approach is to gradually reduce exposure to what we consider more expensive assets over time into more attractive areas. This helps provide capital protection during periods of volatility and also provides the ability to reallocate to more volatile investments as and when they decline to more amenable price levels.

After being very positive on equity valuations a year ago we have gradually been reducing our exposure since the summer. We will continue this process as equity market prices appreciate faster than underlying fundamentals. This is consistent with our belief that identifying investments are expensive is much simpler (and very different) from identifying when prices are going to correct. Consequently, we will continue to capture as much of what we consider might be irrational exuberance whilst prudently balancing this against an appropriate level of diversification to protect against any future pitfalls.

In Commercial Property, physical property delivered flat returns whilst UK listed businesses rose (albeit behind the broader market). Fixed interest securities were also largely flat. The exception was index linked bonds which saw a relatively strong performance as investors continued to reflect expectations of higher inflation by widening the difference in yields between nominal and inflation protected bonds. Currencies were mixed with the yen and euro lower against sterling whilst the dollar was stronger. This mirrored the relative strength in recovery in the UK economy versus its international peers.

HOLDINGS

Name	Weight	OCF
Rathbone Ethical Bond Fund	14.0%	0.66%
Royal London Ethical Bond	14.0%	0.40%
BNY Mellon Sustainable Real Return Inst	15.0%	0.83%
EdenTree Responsible & Sustainable UK Equity	9.0%	0.80%
BMO Responsible UK Income	10.0%	0.95%
Jupiter Responsible Income	11.0%	0.93%
BMO Responsible Global Equity	9.5%	0.79%
EdenTree Responsible & Sustainable Global Equity	8.5%	0.81%
Janus Henderson Global Sustainable Equity	8.5%	0.85%
Cash	0.5%	0.0%