

WISE INVESTMENT LIMITED BALANCED

Pershing

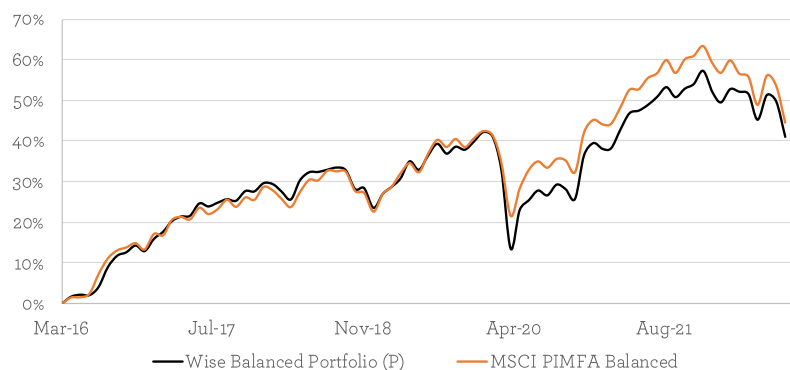
MONTHLY FACTSHEET

all data as at 30th September 2022

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 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)	-5.8%	-2.9%	-7.7%	-6.5%	1.8%	12.6%	41.0%
MSCI PIMFA Balanced	-5.9%	-2.9%	-9.6%	-7.8%	2.9%	16.8%	44.4%

DISCRETE ANNUAL PERFORMANCE

	30/09/2021	30/09/2020	30/09/2019	30/09/2018	30/09/2017
	30/09/2022	30/09/2021	30/09/2020	30/09/2019	30/09/2018
Wise Balanced Portfolio (P)	-6.5%	17.8%	-7.6%	4.4%	6.0%
MSCI PIMFA Balanced	-7.8%	16.0%	-3.8%	6.1%	7.0%

PORTFOLIO MANAGEMENT



ROBERT BLINKHORN

Head of Investment Management

Robert joined Wise Investment in July 2017 and has 20 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	3rd March 2016
Holdings	11
Historic Yield¹	3.5%
Volatility²	13.7%
Benchmark	MSCI PIMFA Balanced
Model OCF³	0.8%
Service Charge⁴	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 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

In September, asset prices generally struggled as continued high inflation figures and a stumbling global economy kept investors nervous. Domestically, these concerns were magnified as a combination of tax cuts and spending by the new Conservative administration were announced sending UK bond markets and sterling into a tailspin. UK equity markets were similarly affected with the UK index down by almost -6% for the month. Consumer stocks were one of the worst performing areas with a view that discretionary spending looks to be compromised in the near term.

Our own estimates of market valuations suggest expectations for the UK equity market are pricing in roughly a 25% decline in earnings from current levels and around a 10% reduction in dividends. UK corporate earnings have been strong coming out of the economic effects of the Covid pandemic (as elsewhere) and are overdue some reversion back to their long-term trend growth rate of around 3% a year. This is after recovering at an annualised rate of around 40% since the late summer of 2020. UK dividends have staged a similar recovery but had declined more than earnings. Therefore, they have only just got back to their trend long-term growth levels. Given the backdrop of price inflation, rising borrowing costs and falling consumption, declines in earnings and dividends seem entirely plausible. Yet, if such a scenario is already priced into equity markets, then we need to concern ourselves with the prospect that expectations and ultimately, reality, turns out to be worse than this. Obviously, this could happen (earnings and dividends fell 30% and 40% during the Great Financial Crisis and Covid pandemic respectively), but at the same time it appears sensible to us to use this period of souring sentiment to judiciously add to assets that have fallen in value on the basis that over the very long term, these growth dynamics remain intact.

UK listed real estate had a difficult month declining by just over -14% in aggregate. Spiralling financing costs will weigh heavily on sector where the business model relies heavily on borrowing. Moreover, any real estate assets reliant on consumer spending such as the large distribution warehouse investment trusts will have experienced additional pressure. Physical assets were less impacted with the Investment Association's index of direct property funds down just under -3%. As above, in the face of a potentially weak economic background compounded by a dysfunctional credit market, weaker valuations may be warranted but we estimate that current pricing appears to be expecting property values to more than halve from current levels.

UK bond markets took a severe beating in September after an announcement of spending and tax cuts without corresponding details on how they were to be funded spooked lenders to the UK Government. This sent the benchmark 10-year Gilt yield higher by over 1% to peak at around 4.3%. Levels not seen since 2008. The UK Gilt market dropped by almost -9% in the month with the more interest rate sensitive UK Index Linked Gilt market falling by almost -11%. This caused disruption in the pensions and mortgage markets with asset managers of retirement funds unable to meet interest rate hedging obligations and lenders withdrawing loan rates for house purchases. The systemic risk to pensions forced the Bank of England to support the Gilt market by committing to buy long dated government bonds until mid-October. This was a reversal of its planned sale of Gilts purchased to support the economy after the Great Financial Crisis. Similar effects were seen in currency markets as sterling collapsed against the dollar and euro with some respite after the Bank of England announcement.

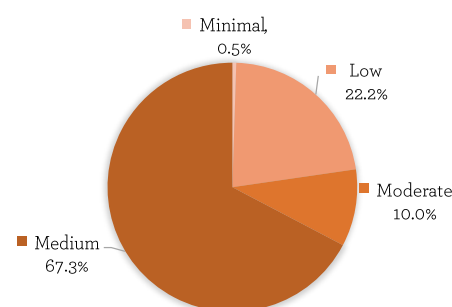
In the Balanced model portfolio, returns were lower by -5.8% in September. This was a fraction ahead of the MSCI PIMFA Balanced index that returned -5.9%. Global equity exposure was largely responsible for portfolio declines. BNY Mellon Global Infrastructure was lower on weak returns from Electric Utility companies whilst M&G Global Dividend saw weakness in its Speciality Chemicals businesses such as Trinseo and Methanex.

Weakened prices have created an opportunity to add to assets across the risk spectrum. However, we intend to do this gradually as prices will likely remain volatile as the economic and political situation continues to be precarious. The Bank of England has shown an appetite to provide a safety net for markets but it remains to be seen how reliable that safety net is in terms of balancing financial stability with free markets and clumsy fiscal policy.

HOLDINGS

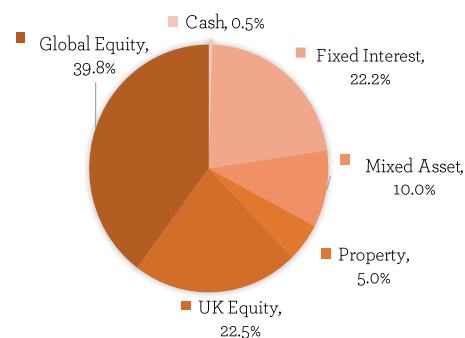
Name	Weight	OCF
M&G Strategic Corporate Bond	7.3%	0.41%
Schroder Strategic Credit	14.9%	0.77%
BNY Mellon Real Return	10.0%	0.79%
CT Property Growth & Income	5.0%	1.03%
JOHCM UK Equity Income	11.5%	0.67%
Trojan Income	5.5%	0.87%
TB Wise Multi-Asset Income	5.5%	0.71%
Fundsmith Equity	14.9%	0.94%
BNY Mellon Global Infrastructure Income	10.0%	0.81%
M&G Securities Global Dividend	14.9%	0.66%
Cash	0.5%	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.

