Issue date: November 2022

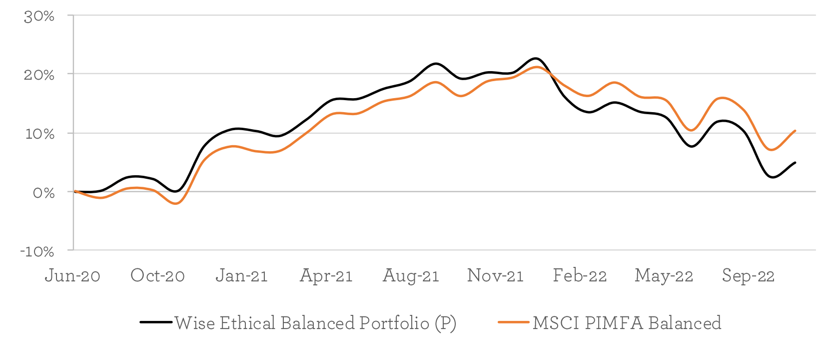
WISE INVESTMENT LIMITED ETHICAL BALANCED
Pershing

MONTHLY FACTSHEET
all data as at 31st October 2022

PORTFOLIO OBJECTIVES AND STRATEGY

The Wise Ethical 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 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 50%-80% is invested in 'medium' risk assets, such as shares and property, 20%-50% is 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, 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	Launch
Wise Ethical Balanced Portfolio (P)	2.2%	-6.2%	-7.6%	-12.7%	5.0%
MSCI PIMFA Balanced	3.0%	-4.7%	-5.0%	-7.1%	10.3%

DISCRETE ANNUAL PERFORMANCE

	31/10/2021 31/10/2022	31/10/2020 31/10/2021
Wise Ethical Balanced Portfolio (P)	-12.7%	20.0%
MSCI PIMFA Balanced	-7.1%	21.0%

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	30th June 2020
Holdings	10
Historic Yield[1]	2.1%
Volatility[2]	10.2%
Benchmark	MSCI PIMFA Balanced
Model OCF[3]	0.7%
Service Charge[4]	2.2%

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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 October, global equity markets were higher by just under 4% in sterling terms with Technology Service firms the main contributor to performance. Last month, the sector staged something of a recovery from what has been a very difficult year. The largest Technology Service companies are Microsoft, Alphabet (owner of Google) and Tencent which by themselves make up around a third of the sector by market capitalisation. At the end of September, the sector as a whole had fallen by almost -40% year to date. To some extent this decline was entirely justified in our view as by the end of 2021, investors had become overly enthusiastic about the prospects for Technology firms. Covid provided a catalyst to the uptake of technological equipment and services to facilitate business and leisure activities during the global lockdown period and this boosted corporate revenues of technology firms throughout last year which, on average, rose by 34%. Investors reacted to this with exuberance sending prices higher by almost 85% in dollar terms from the trough of markets in early 2020 to the end of 2021[1] so a correction in 2022 was in our view to be expected. For reference, the long-term trend growth of earnings for the sector is just under 10%; our long-term modelling identified that the Covid boost to earnings growth was unlikely to be sustainable.

There are a number of things that might happen to address abnormal earnings growth. For example, the burst in spending could slow once people and companies have the items and services they want and need. Alternatively attractive profits in a sector can lead to increased competition, which forces excessive earnings to be competed away. Thirdly, legislators could identify excessive profits and either enact laws to inhibit them, force a break-up of dominant businesses or tax and fine them heavily.

Over the long term, we expect earnings growth should generally revert back to a more normal level which we equate with an observable earnings growth rate for the sector. True to form, earnings from the Technology Service sector have begun to fall back in 2022, peaking in February and falling by around -7% to the end of October. Market commentators initially blamed rising interest rates as being the factor disproportionately hitting Technology firms. This premise is based on a bigger number being used to discount future earnings. However, it has never really been clear to us why large, profitable technology businesses should be dealt with more harshly than any other business. More recently, technology companies are guiding for slowing earnings in the face of a global recession and this is adding further pressure to share prices.

Now we *do* believe that short term changes in fundamentals have a significant impact on share prices. Whether the size of share price moves based on these short-term fundamental changes is justified is another matter – but the point is that they *do* move in this way. Having crested in February, just ahead of our estimated cyclical peak for earnings, we expect earnings to be no more than another -5.5% lower from their current levels based on long term growth rates and volatility of the Technology Service profit cycle. Based on this, we anticipate that the market price for the sector should be around 30% higher than it is today. To look at it another way, by our estimation, the market is pricing in earnings falls of around -25%. This is akin to the bursting of the dot com bubble over 20 years ago. The question we ask ourselves today is, 'are technology companies today as precariously positioned as they were in 2000?'. Some are, but many of the larger, well established and profitable businesses we are interested in are not. Consequently, we have been judiciously adding to this exposure since mid-July and anticipate continued positive performance from it.

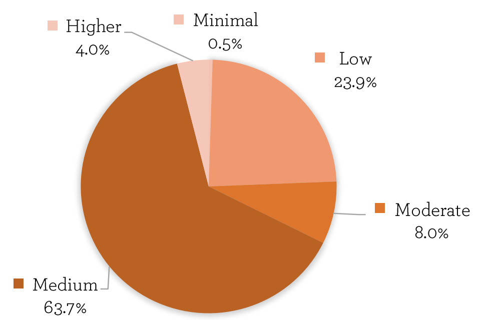
In the Ethical Balanced model portfolio, returns were higher by 2.2% in October. This was behind the MSCI PIMFA Balanced benchmark which returned 3.0%. Underperformance was mostly due to an unusually strong performance from the Alternatives element of the benchmark relative to the performance from the portfolio's allocation towards Alternative assets. Leading the contribution to positive returns during the month was Janus Henderson Global Sustainable Equity and CT Responsible Global Equity with both funds boosted by holdings in industrial manufacturing businesses. In order to take advantage of declining asset values in recent months the portfolio was rebalanced in October using the opportunity to generally add to equities, as well as specifically increasing exposure to Technology sector companies where, as noted, we see an attractive valuation opportunity.

[1] This compares with the broader global market that recovered by an attractive but more modest 65% on the same basis.

HOLDINGS

Name	Weight	OCF
Rathbone Ethical Bond Fund	11.9%	0.66%
Royal London Ethical Bond	11.9%	0.40%
BNY Mellon Sustainable Real Return	8.0%	0.81%
CT Responsible UK Income	11.9%	0.80%
Aegon Ethical Equity	11.9%	0.77%
CT Responsible Global Equity	14.9%	0.79%
Janus Henderson Global Sustainable Equity	14.9%	0.85%
Kempen Global Listed Infrastructure	10.0%	0.91%
Janus Henderson Sustainable Future Technologies	4.0%	0.88%
Cash	0.5%	0.00%

ASSET RISK



For Asset Risk Category definitions see the Wise Investment Risk Appendix, supplied to investors in the model portfolios.

ASSET ALLOCATION