

# WISE INVESTMENT LIMITED BALANCED

## Pershing

### MONTHLY FACTSHEET

all data as at 31st December 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)	0.3%	6.1%	2.8%	-5.1%	5.0%	15.2%	49.3%
MSCI PIMFA Balanced	-3.1%	3.9%	0.9%	-8.1%	5.4%	16.7%	50.1%

## DISCRETE ANNUAL PERFORMANCE

	31/12/2021	31/12/2020	31/12/2019	31/12/2018	31/12/2017
	31/12/2022	31/12/2021	31/12/2020	31/12/2019	31/12/2018
Wise Balanced Portfolio (P)	-5.1%	12.8%	-1.9%	15.2%	-4.7%
MSCI PIMFA Balanced	-8.1%	12.5%	1.9%	16.2%	-4.8%

## 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

<b>Launch Date</b>	3rd March 2016
<b>Holdings</b>	11
<b>Historic Yield<sup>1</sup></b>	3.5%
<b>Volatility<sup>2</sup></b>	13.9%
<b>Benchmark</b>	MSCI PIMFA Balanced
<b>Model OCF<sup>3</sup></b>	0.8%
<b>Service Charge<sup>4</sup></b>	2.3%

## 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 December, equity markets finished the year on a weak note with global equities lower by just over 5% in sterling terms and almost 8% lower for the whole of 2022 (Source: Financial Analytics). The US equity market lagged other regional indices over the month partly through a weakening dollar and partly through a large exposure to Technology oriented stocks. Technology equipment and service stocks have had a challenging 12 months after peaking at the end of 2021. Pessimism over the sector began with scheduled rises in overnight interest rates by central banks and an associated higher discount rate applied to future earnings. This has been exacerbated by a slowing global economy and the expectation of reduced spending on most things including technology. Consequently, the Electronic Technology and Technology Services sectors that contain companies such as Microsoft, Alphabet (Google) and Apple are lower by around 20% and 30% respectively over the last 12 months (Source: Factset). However, in the same way revenues and earnings at the end of 2021 looked unsustainably high for these businesses and investors had placed even more unsustainable valuations on them, we now feel that investors have become overly bearish on the Technology sector. Earnings have dropped sharply over the last 12 months, but we believe that this correction in underlying fundamentals is close to bottoming out which will lead to strong positive gains from the sector going forward. Timing the actual mood change is a little trickier (in fact, it is nothing short of a fool's errand) but we believe acquiring under-priced assets and then applying patience can be rewarding.

In Commercial Property, both listed UK property companies and physical assets saw declines. As with the Technology sector, listed property shares have had a difficult 12 months as similar dynamics have tempered investor enthusiasm. Yet, in the same vein, we feel that the expectation inferred by market prices is, on balance, probably overly pessimistic and although we would be the first to acknowledge that rising interest rates, a generally slowing economy and a reluctant consumer are hardly positive factors for the asset class, pricing seems to already reflect this (and then some).

Fixed interest assets were under pressure from longer term interest rates rises in December as investors waxed and waned over the trajectory and peak for overnight rates. Fixated on each word from central bankers as they feed their views into the market which either seem to ameliorate sentiment or sour it. Particularly troubling for investors in December was a 0.5% increase in overnight rates across US, UK and European central banks which, although a smaller rise than the 0.75% increases declared at a number of prior meetings, did little to stem concerns that rates might have some way to climb. Accompanying commentary from rate setters that was, at best, ambiguous, also caused some nervous reflection by bond investors. With its limited sensitivity to interest rate moves, high yield bonds were relatively unscathed in the month and, in absolute terms, remain attractively priced relative to investment grade and sovereign bonds.

In the Balanced model portfolio, returns were higher by 0.2% in December. This was substantially ahead of the MSCI PIMFA Balanced index that returned -3.1%. Outperformance was largely due to timing between the portfolio and the benchmark along with other factors such as the reversal of the discounted pricing mechanism in the CT Property Growth and Income fund. Leading portfolio returns, and characteristically defensive in generally weak equity and bond markets, were BNY Mellon Real Return and Fundsmith Equity.

In market performance terms, December was a month to forget in a likewise year. Having been wary of asset prices at the beginning of 2021 we now feel more sanguine. Yet, despite declines in asset prices value is not universal which is why we are selectively allocating to specific sectors such as Technology and Real Estate and sub asset classes such as high yield bonds. The current challenge for markets is that there remains plenty for investors to be nervous about in the short term and therefore the critical test for investors is to remain patient. As we have noted before, we expect valuations to react positively not when the current pressures (inflation, interest rates, war, Chinese Covid disruption etc.) have actually disappeared but when the market perceives that they will abate at some point in the future. Timing this sea change is impossible but the data we look at suggests we are close to the nadir.

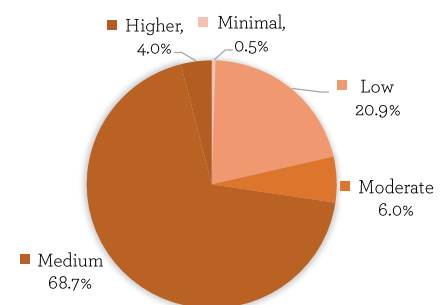
## IMPORTANT INFORMATION

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.

## HOLDINGS

Name	Weight	OCF
M&G Strategic Corporate Bond	6.0%	0.43%
Schroder Strategic Credit	14.9%	0.77%
BNY Mellon Real Return	6.0%	0.79%
CT Property Growth & Income	5.0%	1.03%
JOHCM UK Equity Income	14.9%	0.67%
TB Wise Multi-Asset Income	9.0%	1.53%
Fundsmith Equity	14.9%	0.94%
BNY Mellon Global Infrastructure Income	10.0%	0.81%
M&G Securities Global Dividend	14.9%	0.66%
Janus Henderson Global Technology Leaders	4.0%	0.85%
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

