

# WISE INVESTMENT LIMITED CAUTIOUS

## Pershing

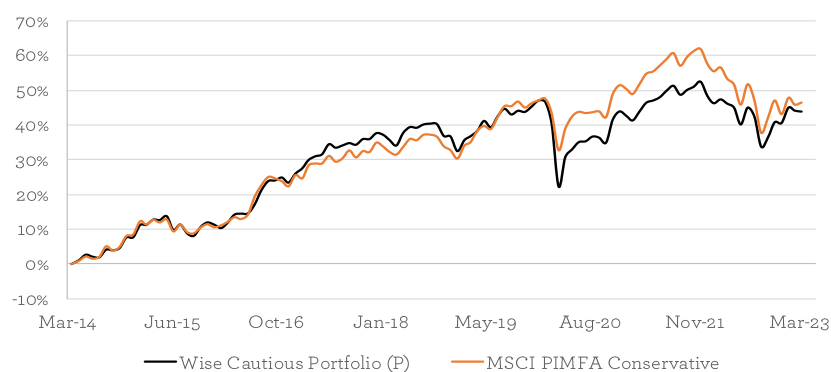
### MONTHLY FACTSHEET

all data as at 31st March 2023

## PORTFOLIO OBJECTIVES AND STRATEGY

The Wise Cautious Model Portfolio is designed for clients who are looking for a total return in line with the MSCI PIMFA Conservative index over a 5 to 10 year period, but with lower volatility than could be expected from full exposure to the stock market. 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 selected with 20-60% invested in 'medium' risk assets, such as shares and property. 40-80% 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 5% can be invested in higher risk assets, such as shares in specific countries and industries. We therefore consider the portfolio to be suitable for those willing to adopt a cautious risk profile.

## PERFORMANCE SINCE LAUNCH (using month-end data)



## CUMULATIVE PERFORMANCE

	1m	3m	6m	1yr	3yr	5yr	Launch
Wise Cautious Portfolio (P)	-0.2%	2.3%	7.6%	-2.4%	17.6%	7.3%	44.0%
MSCI PIMFA Conservative	0.4%	2.4%	6.3%	-6.5%	10.3%	11.4%	46.6%

## DISCRETE ANNUAL PERFORMANCE

	31/03/2022	31/03/2021	31/03/2020	31/03/2019	31/03/2018
Wise Cautious Portfolio (P)	-2.4%	2.4%	17.7%	-11.6%	3.2%
MSCI PIMFA Conservative	-6.5%	3.1%	14.4%	-4.1%	5.2%

## 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	28th March 2014
Holdings	11
Historic Yield <sup>1</sup>	3.0%
Volatility <sup>2</sup>	8.0%
Benchmark	MSCI PIMFA Conservative
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.

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

Global equity managed to finish March higher, recovering from declines in the first half of the month as investors became acutely concerned over the health of the banking system. In the US, 3 regional banks collapsed or were liquidated as depositors withdrew savings. Bank failures like this can often be something of a self-fulfilling prophecy. Depositors become concerned over the viability of the bank, withdrawing their savings fearing that they might lose their money if the bank fails. If enough deposits leave, then the bank is forced to sell assets to maintain liquidity. These assets might not be readily realisable or may have fallen in value (in this recent event, the assets were government bonds which had declined on rapidly rising interest rates). Consequently, the bank cannot maintain liquidity and fails just as feared.

The problem also extended to larger institutions in Europe with Credit Suisse eventually being forced to merge with its larger rival UBS to avoid a global financial meltdown. Trouble had been brewing at Credit Suisse for some time with a series of scandals that had seen deposits leave in droves. The failures of US banks seemed to be a tipping point for confidence in Credit Suisse with the final blow delivered by its largest shareholder, the Saudi National Bank, in refusing to provide additional funds.

Shares of banks around the world fell sharply in the first half of the month and had recovered little by the end. Although most equity markets managed a positive return, the UK market struggled. Finance is the largest sector in the UK equity market with banking being a dominant component. Banking stocks had largely been a beneficiary of the interest rate environment last year with the perceived wisdom that higher interest rates would allow them to make more money on lending activities. At the same time, Technology stocks fell dramatically in 2022 while interest rates rose leading to concerns over reduced spending and a higher discount rate on future earnings. This year has seen something of a reversal with Technology shares the best performing sector and, more recently, Financial stocks in retreat. This type of negative sentiment towards a sector often piques our interest as prices can invariably be pushed to levels that are anticipating something we think is implausible. However, despite the decline of Financial stocks this year, they have not fallen to a level that would convince us to commit to a large allocation towards the sector at this time.

Listed real estate (which also falls under the Financials sector) was weak in March. Although commercial property asset values may have little to do day-to-day with the banking sector, it is an area that relies heavily on finance (albeit less now than in the early 2000's). Any stress in the willingness of banks to lend their capital is bound to overspill into the real estate market. We remain constructive on the sector though and despite successive hurdles, we still believe there is an overly negative picture being priced in by investors.

In fixed income, UK Gilt rates contracted by around 0.3% sending bond prices higher. This had a marked effect on Index Linked UK Government bonds which, as a group, are highly sensitive to changes in interest rates along the maturity curve. Yields on government bonds are now at a point where they have become a more viable option during times of market stress. Recent events (and their underlying causes) have raised the question of whether central banks have gone far enough with raising the cost of borrowing and if they might pause their activity and even begin to cut rates over the next 12 months. Given the backdrop, risk appetite remained subdued within credit with yields either staying the same at the highest quality end or moving wider in high yield. Again, lower investment grade/upper high yield credit is an area we remain constructive on with mid to high single digit yields to maturity more than compensating for what we believe are the risks in lending to corporates of this quality.

In the Cautious model portfolio, performance was lower by -0.2% in March. This was behind the MSCI PIMFA Conservative index which returned 0.4%. Underperformance of the benchmark was driven by an underweight towards UK government bonds and weaker performance from UK equity holdings compared to the benchmark. Both of these factors offset the strong performance from global equity exposure. JOHCM UK Equity and CT Property Growth and Income weighed on performance with the former hurt by its exposure to banks and the latter impacted by generally weak performance from listed real estate securities.

Developed equity markets look reasonable, but not compelling value. The spread of potential return between developed and emerging markets is looking attractive though and warrants further research. Credit also appears comparatively attractive to developed equity on a risk adjusted basis particularly at the shorter end of the maturity range where rates are higher. As always, we will continue to assess opportunity and move the portfolio towards areas that will capture attractive returns whilst remaining consistent with the strategy's risk tolerance.

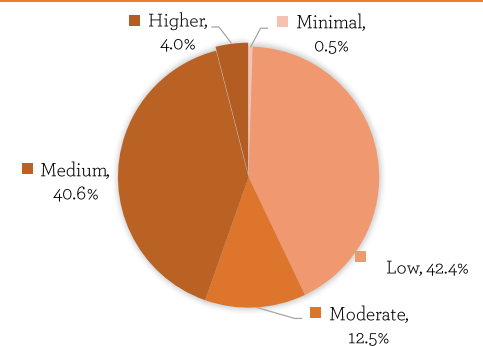
## IMPORTANT INFORMATION

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

Security	Weight	OCF
M&G Strategic Corporate Bond	14.9%	0.43%
Schroder Strategic Credit	15.0%	0.77%
L&G All Stocks Gilt Index Trust	12.5%	0.15%
BNY Mellon Real Return	12.5%	0.94%
CT Property Growth & Income	6.7%	1.03%
TB Wise Multi-Asset Income	3.5%	1.53%
JOHCM UK Equity Income	8.9%	0.69%
Fundsmith Equity	15.0%	0.94%
BNY Mellon Global Infrastructure Income	6.5%	0.81%
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

