

# WISE INVESTMENT LIMITED ETHICAL BALANCED

## Pershing

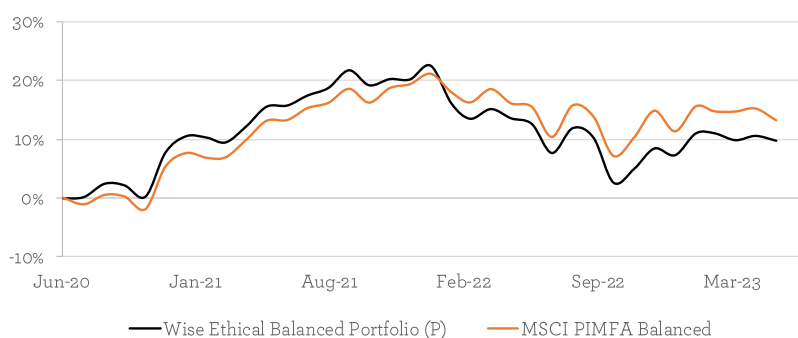
### MONTHLY FACTSHEET

all data as at 31st May 2023

## 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 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)	-0.7%	-1.1%	1.2%	-2.5%	9.8%
MSCI PIMFA Balanced	-1.8%	-1.3%	-1.4%	-2.0%	13.1%

## DISCRETE ANNUAL PERFORMANCE

	31/05/2022	31/05/2021
Wise Ethical Balanced Portfolio (P)	-2.5%	-2.7%
MSCI PIMFA Balanced	-2.0%	2.0%

## 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

<b>Launch Date</b>	30th June 2020
<b>Holdings</b>	11
<b>Historic Yield<sup>1</sup></b>	2.2%
<b>Volatility<sup>2</sup></b>	9.5%
<b>Benchmark</b>	MSCI PIMFA Balanced
<b>Model OCF<sup>3</sup></b>	0.7%
<b>Service Charge<sup>4</sup></b>	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 markets were slightly positive in May driven by US and Japanese equities with a fillip from the US dollar. The Technology sector led returns both in May and has done for the year so far. There are a number of factors at play here. Technology stocks reached excessive valuations in 2021 after supercharged spending by consumers and businesses during Covid. The slowdown in capital flows coupled with rising interest rates in 2022 led investors to review the prospects for Technology businesses ultimately concluding they were overvalued. Consequently, the sector sold off throughout most of 2022. However, just as markets can be excessively positive and overvalued (as they were in 2021), they can also be excessively negative and undervalue businesses (as in 2022). Therefore, part of the recent strong performance is a revaluation of the sector back to more sensible levels.

Another significant aspect driving performance is the excitement around artificial intelligence and its presumed ubiquitous application. There is no doubt in my mind that functions utilising artificial intelligence will increase substantially over time, but markets can often price the hype of a theme only to become disappointed when the reality of timescales and costs hit home. That is not to say the recent performance of Technology stocks can't continue. It's just that past revaluation, our expectations of return from this sector differs little from the broader market and so we see limited value in continuing to have a position concentrated in this area.

Listed real estate was weak whilst physical property indices showed a slight positive performance. The UK listed real estate index, with businesses such as SEGRO, Land Securities and British Land is now lower than it was during the depths of the Covid crisis. This is largely due to the rise in interest rates, concerns over banks' willingness to lend and the varied return-to-office policies applied since distancing measures were removed. There are undoubtedly challenges for commercial real estate generally (another is the cost of the retrospective mandatory fixing of the poor eco-efficiency of commercial buildings) but, like the Technology sector, we feel these things are being priced with overly aggressive negativity and therefore maintain a constructive exposure to the sector.

Long term UK interest rates moved higher over the month sending UK Government Bond prices lower. Inflation is declining at a slower pace than expected putting more uncertainty around the point when interest rate rises will peak and how long they might stay at these 'elevated' levels. Less rate sensitive areas such as corporate bonds performed better but were still lower on the month. Despite the correction in the yield curve, bond markets continue to price lower rates in the near future. This has created an (unusual) inverted yield curve where shorter dated yields are higher than longer dated ones making bonds with near term maturities look particularly attractive.

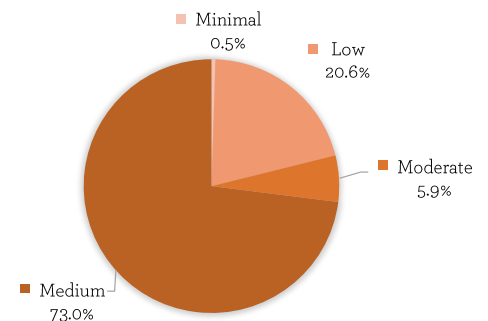
In the Ethical Balanced model portfolio, returns were lower by -0.7% in May. This was significantly ahead of the MSCI PIMFA Balanced index that was -1.8% lower. Outperformance came mainly from UK equity exposure where funds held fell less than the broader UK market. Fixed interest also performed well with holdings focussed corporate bonds that are less sensitive to rises in interest rates. Leading returns in the portfolio were Janus Henderson Sustainable Future Technologies and Janus Henderson Global Sustainable Equity both of which were buoyed by exposure to Nvidia and to a lesser extent Microsoft which have benefitted from a general sector recovery and investor excitement around the future development of artificial intelligence.

The slight pullback in UK equities has improved valuations month on month making us more sanguine with a slight overweight in UK equities. Similarly, global equities continue to offer a reasonable return for the risk of holding cyclically sensitive assets. Our tilt towards Technology equities has reached a point where we don't envisage significantly divergent returns compared to the broader market. Listed real estate remains attractive and a potential driver of positive returns going forward as well as the attractive yield from shorter dated corporate bonds. Our challenge, as ever, is to allocate capital optimally amongst these areas to provide returns commensurate with risk appetite.

## HOLDINGS

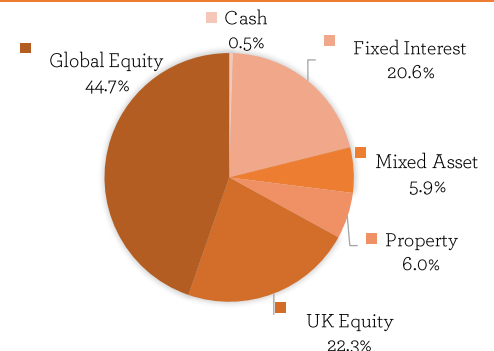
Name	Weight	OCF
Rathbone Ethical Bond Fund	10.3%	0.66%
Royal London Ethical Bond	10.3%	0.40%
BNY Mellon Sustainable Real Return	5.9%	0.97%
Schroder Global Cities Real Estate	6.0%	0.93%
CT Responsible UK Income	11.2%	0.80%
Aegon Ethical Equity	11.1%	0.77%
CT Responsible Global Equity	14.9%	0.79%
Janus Henderson Global Sustainable Equity	14.9%	0.85%
Kempen Global Listed Infrastructure	9.9%	0.91%
L&G MSCI World SRI Index	5.0%	0.25%
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



## 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.

