PEARSON
WEALTH MANAGEMENT LTD

# Winter Investment Review 2018

PEARSONWM.CO.UK

A key part of the Pearson portfolio service is to monitor the underlying performance of each fund within the portfolio for both risk and return

# Our Investment Portfolios

## Welcome to the 1st Wealth Management Brochure for Pearson Wealth Management Investment Portfolios.

We have been running our portfolios for the last 10 years however the aim of the Review is to give you a general feel for what has happened in the financial world over the last six months and how this may have affected your pension or investment.

A key part of the reporting is the colour coding. Each Pearson portfolio is colour coded to enable you to spot which category applies to you. The relevant information is then presented in a clear and easy to understand way. However, if you require further clarification, please do not hesitate to contact us.

**We believe in a holistic approach to investment**

# Market overview 2018

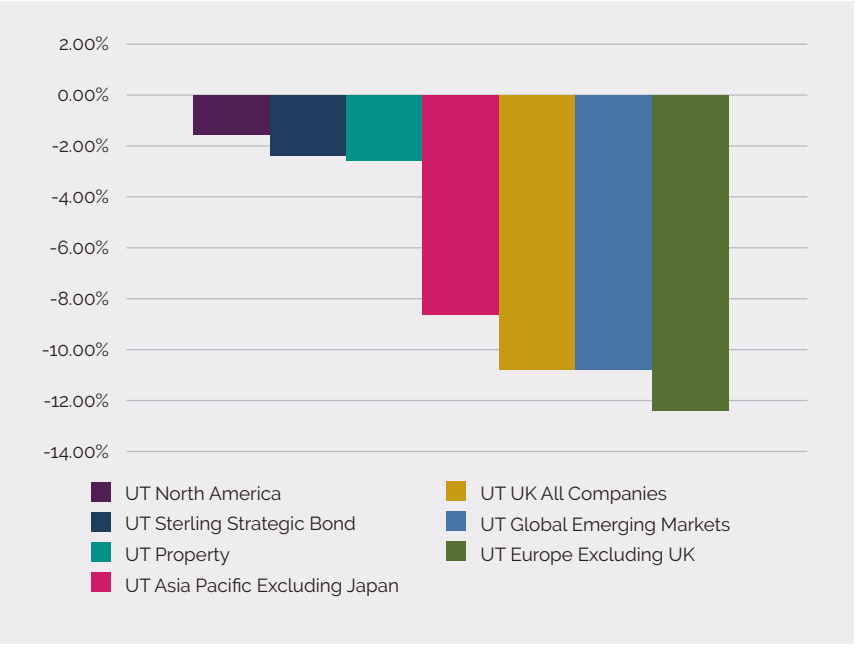
Q1 the year began positively as the reaction to President Trump's tax cuts and strong corporate earnings pushed markets around the world to a series of all-time highs. However, markets then began to suffer correction at the beginning of February and the calm was shattered as concerns over higher inflation in the US caused markets to sell off sharply. There was also concerns over a trade war and a sell-off in large technology stocks pushed indices downwards.

Markets recovered in Q2 but worries returned over an escalation of Trump's trade tariffs which fuelled concerns that we could see a trade war. This led to a slowdown in global growth as it impacted Asia. Heightened political tensions across the globe also shook markets and the strong dollar impacted Emerging Markets as their debt became more expensive.

Q3 the US was the standout performer with Europe and UK showing the greatest relative weakness. Central Banks wound down their quantitative easing removing liquidity support for financial assets.

Q4 saw further issues and unrest around Brexit causing UK markets to plummet. This was shortly followed by US Markets as investors started to fear a slowdown and rising interest rates in the US. Global Markets also continued to be on edge with regards to trade tariffs, however we continued to favour the US and Asia. Weakness in the UK and Europe could lead to buying opportunities further down the line.

## Key market performance 2018



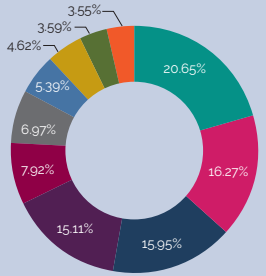
# Pearson portfolios - asset allocation

There are six portfolios that can be invested in, which are detailed below. Your pension or investment will be invested in one of these categories. The tables show the aggregate composition of the portfolios with some figures to show the potential risk and return of each category.

For an explanation of the figures and the sources of the information, please see page 14.

We believe in a holistic approach to investment and carry out an attitude to risk with all our clients to determine which is the most relevant portfolio to invest in. This in relation to your capacity for loss will form the basis for our recommendation.

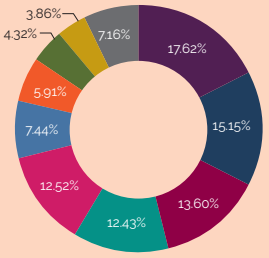
## Pearson Cautious Portfolio




- Money Market
- Property
- Undisclosed
- Global Fixed Interest
- UK Equities
- Others
- Other International Equities
- UK Corporate Fixed Interest
- UK Fixed Interest
- North American Equities

| | |
|---|---|
| FE Risk Score | 20 |
| Guide Equity content | 34% |
| max 6 month gain | 4.96% |
| max 6 month loss | -3.94% |

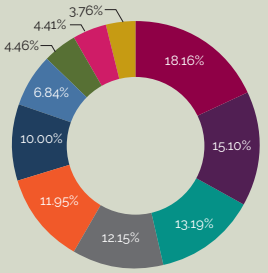
## Pearson Cautious/Moderate Portfolio




- Global Fixed Interest
- Undisclosed
- UK Equities
- Money Market
- Property
- Other International Equities
- North American Equities
- UK Fixed Interest
- UK Corporate Fixed Interest
- Others

| | |
|---|---|
| FE Risk Score | 26 |
| Guide Equity content | 47% |
| max 6 month gain | 7.45% |
| max 6 month loss | -5.32% |

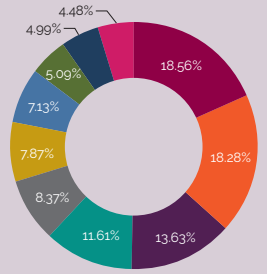
## Pearson Moderate Portfolio




- UK Equities
- Global Fixed Interest
- Money Market
- Others
- North American Equities
- Undisclosed
- Other International Equities
- Equities
- Property
- European Equities

| | |
|---|---|
| FE Risk Score | 52 |
| Guide Equity content | 62.5% |
| max 6 month gain | 16.40% |
| max 6 month loss | -4.92% |

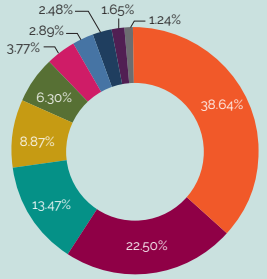
## Pearson Moderate/Adventurous Portfolio




- UK Equities
- North American Equities
- Global Fixed Interest
- Money Market
- Others
- European Equities
- Other International Equities
- UK Fixed Interest
- Undisclosed
- Equities

| | |
|---|---|
| FE Risk Score | 66 |
| Guide Equity content | 75.5% |
| max 6 month gain | 23.27% |
| max 6 month loss | -5.69% |

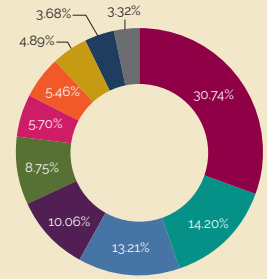
## Pearson Adventurous Portfolio




- North American Equities
- UK Equities
- Money Market
- European Equities
- Equities
- Asia Pacific Emerging Equities
- Other International Equities
- Asia Pacific Equities
- Japanese Equities
- Other

| | |
|---|---|
| FE Risk Score | 98 |
| Guide Equity content | 96% |
| max 6 month gain | 32.56% |
| max 6 month loss | -8.56% |

## Pearson Ethical Portfolio




- UK Equities
- Money Market
- Other International Equities
- Global Fixed Interest
- UK Fixed Interest
- UK Index-Linked
- North American Equities
- European Equities
- UK Gifts
- Other

| | |
|---|---|
| FE Risk Score | 62 |
| Guide Equity content | 75.5% |
| max 6 month gain | 16.52% |
| max 6 month loss | -7.43% |

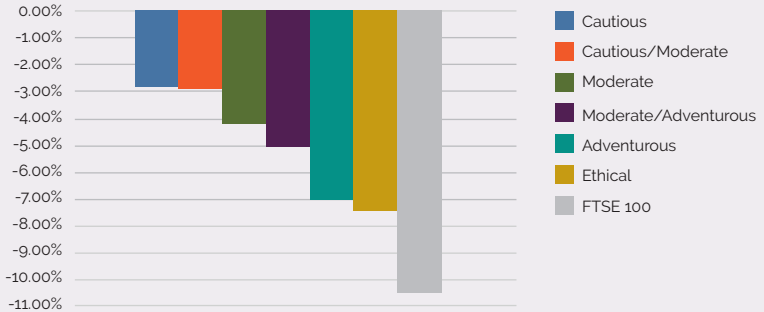
# 6 month performance

## Winter 2018

The graphs below show how the Pearson portfolios within the six Pearson risk categories have behaved over the last six months, alongside the FTSE 100. The first graph shows the total return for the last six months whereas the second graph illustrates the 'month by month' performance (all data powered by FE).

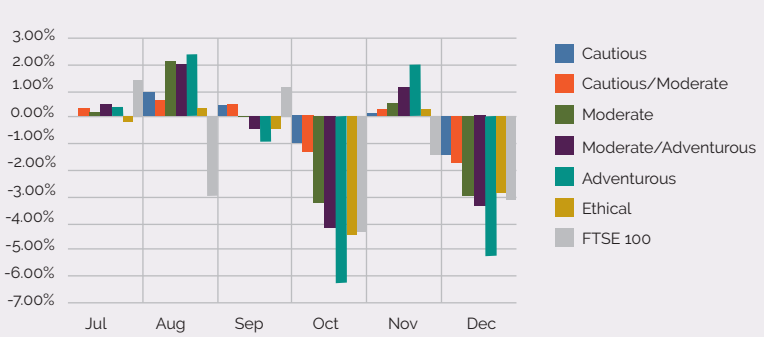
### Cumulative performance - 6 Months

**29/06/2018 – 31/12/2018**




### Discrete performance - 6 Months

**29/06/2018 – 31/12/2018**



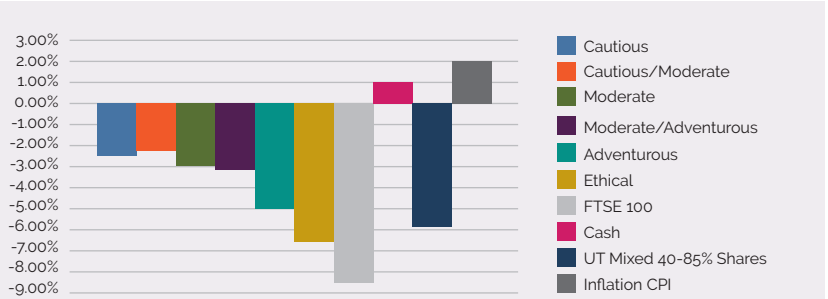

# Longer term performance

## Summer 2018

The graphs below show how the Pearson portfolios within the six Pearson risk categories have performed over the longer term. The first graph shows the total return for the last year whereas the second graph illustrates the performance in the last 5 years. For comparison, the returns of Cash (MoneyFacts 90 days notice 10K), inflation (UK Consumer Price index) and UT Mixed Investments 40-85% shares are also shown (all data powered by FE).

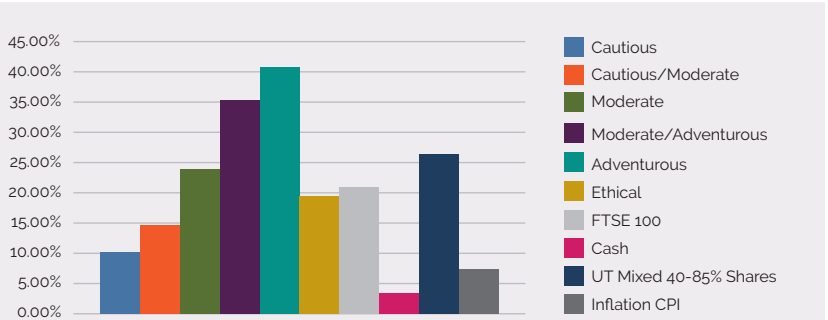
### Pearson portfolio - 1 year

**01/01/2018 – 31/12/2018**



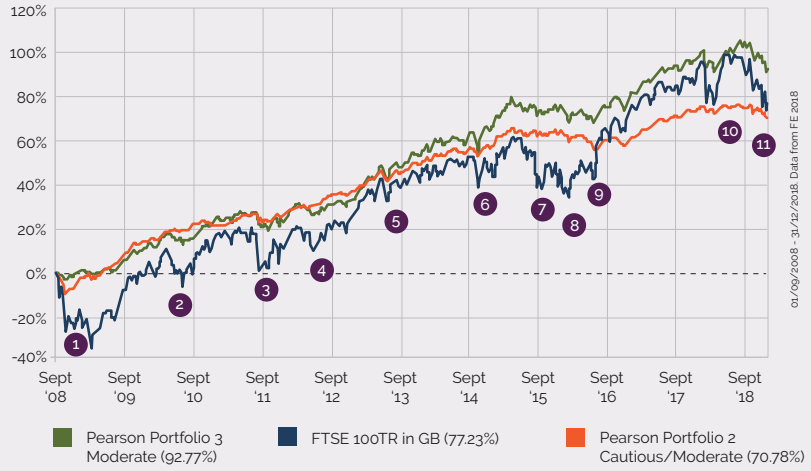

### Pearson portfolio - 5 year

**01/01/2014 – 31/12/2018**



# Market Volatility - 10 year performance context

In the last 10 years the markets have seen some extreme short-term ups and downs, therefore we have created the graph below in order to put these and the performance of two of our most popular portfolios into context alongside the FTSE 100.

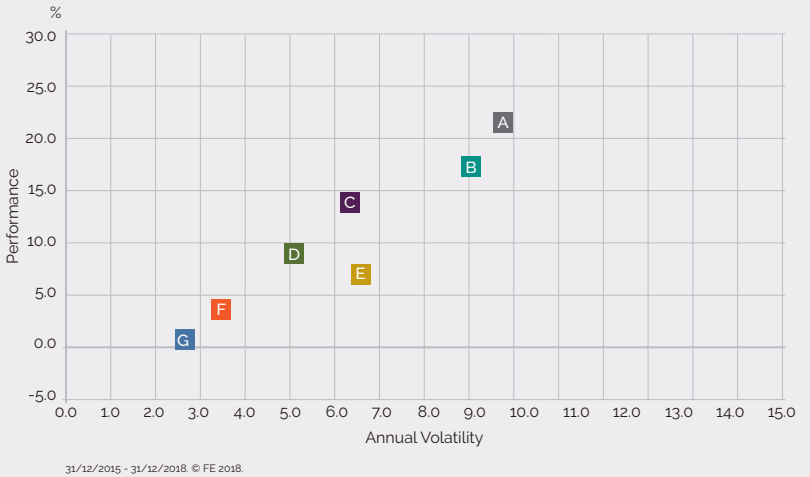



1. **2008/2009** Lehman Brothers file for bankruptcy. HBOS and Llyods in merger talks. Bank of England cuts interest rates to 0.5%. Greek debt crisis starts.
2. **2010** Flash Crisis Dow Jones loses nearly 1000 points. US Debt.
3. **2011** Volatile Markets plummet. Japanese earthquake.
4. **2012** Spanish debt crisis. London Olympics. Libor scandal.
5. **2013** US deficit decline. Euro at its strongest. Gold price tumbled.
6. **2014** Ebola breakout. Industrial problems. Fear of US slowdown.
7. **2015** Fear Chinese slowdown.
8. **2015** Oil prices fall.
9. **2016** EU Referendum. Donald Trump elected USA president.
10. **2017** Global Market sell off. Brexit uncertainty. Weaker dollar pushed the index down.
11. **2018** US /China Trade war intensification. US interest rate hikes. Volatile Italian/Brazilian elections. Continued Brexit saga.

# Risk vs return trade-off

Higher risk generally means a higher return on your investment. However, the higher the risk the higher the chance of volatility.

The risk / return ratio of our portfolios is shown in the scatter chart below along with the FTSE 100 for comparison.




| Key | Name | Performance | Volatility |
|---|---|---|---|
| A | FTSE 100 TR in GB | 21.66 | 9.79 |
| B | Pearson Portfolio 5 Adventurous – Transact TR in GB | 17.24 | 9.10 |
| C | Pearson Portfolio 4 Moderate/Adventurous – Transact TR in GB | 13.51 | 6.45 |
| D | Pearson Portfolio 3 Moderate – Transact TR in GB | 8.71 | 5.17 |
| E | Pearson Portfolio 6 Ethical – Transact TR in GB | 6.81 | 6.70 |
| F | Pearson Portfolio 2 Cautious/Moderate – Transact TR in GB | 3.55 | 3.48 |
| G | Pearson Portfolio 1 Cautious – Transact TR in GB | 0.69 | 2.71 |

**We have selected quality funds with strong track records and therefore do not envisage a high turnover of holdings**

# Performance review

2018 saw a sharp pick up in volatility and much weaker markets led to all the portfolios producing negative returns.

## Pearson fund review policy

A key part of the Pearson portfolio service is to monitor the underlying performance of each fund within the portfolio for both risk and return. We have selected quality funds with strong track records and therefore do not envisage a high turnover of holdings. However, there will be occasions when the performance of an individual fund will lead to it being removed from the portfolio(s). There are a number of factors that determine this decision, eg. consistent under performance or a change in the management team.

It is also important however to have patience with a fund that is just suffering from short term under performance.

We operate a traffic light system and will move a fund from a 'green' to 'amber' rating if the fund requires closer scrutiny at the next review. If it then shows sufficient improvement, it will then move back to 'green'.

However, if the fund consistently under performs without good reason its status will change to 'red' and the fund will be removed from the portfolio(s). A replacement fund will be selected and all clients holding the fund within their portfolio will be notified. Upon receipt of their authority, the client's fund will be switched accordingly.

## Result of fund & asset allocation review

The investment Committee meets on a Quarterly basis and one of its primary functions is to review our existing fund range.

Within this meeting we scrutinise any funds which we feel are performing significantly differently from their peer group or benchmark. We then run this against our internal performance and risk measurements.

Following the most recent review of the portfolios, we have reassessed our fund holdings with the following fund moving to red status and being removed from the portfolios. The allocation will be held in cash for the time being.

- Baring German Growth

### Asset allocation table pages 6 & 7 Important information

The maximum gain and loss figures in the asset allocation tables on pages 6 & 7 are taken from Financial Express figures based on the last 36 months.

FE Risk Score: Financial Express have introduced FE Risk Scores to provide a single, easy to understand measure of risk across a range of investments. In the UK, risk scores measure the riskiness of any given investment in relation to the FTSE 100. Weekly volatility is measured over 3 years, with recent behaviour counting more heavily than earlier behaviour. The risk score is calculated weekly and can be tracked over time. Cash type investments will have scores near zero, investment funds will tend to have scores in the 0-150 range. The FTSE 100 is always 100, there is no upper limit to the scores

The asset allocation figures on pages 6 & 7 are aggregated based on the current holdings within the portfolios as of December 2018. They will vary daily subject to market fluctuations. Rebalancing will be recommended if equity content exceeds the benchmark maximums. There is no guarantee that any of the model portfolios will achieve their stated objectives. Each model portfolio may also experience more or less volatility than expected. The value of investments will fall as well as rise and are not guaranteed. Past performance is no guide to future performance.

### Additional important information

This report has been issued by the Investment Committee of Pearson Wealth Management Ltd using data provided by Financial Express. Care has been taken to ensure that the information is correct but Financial Express and Pearson Wealth Management Ltd neither warrants, represents nor guarantees the contents of the information, or accept responsibility for errors, inaccuracies, omissions or any inconsistencies herein.

Past performance is not a guide to future performance. The value of investments and the income from them can go down as well as up and investors may not get back the amount originally invested. Currency fluctuations can also affect fund values. This report does not constitute advice and you should speak to your financial adviser before you make any alterations to investments or pension plans.

Performance figures are based on bid to bid gross returns and do not include plan, contract or ongoing adviser charges. Please refer to your policy documentation for further details.

Financial Express limited registration number: 2405213. Registered office:

7 Chertsey Road, Woking, Surrey, GU12 5AB

www.financialexpress.net

# About Pearson Wealth Management Ltd

Pearson Financial Consultants Ltd formed in 2005 and re-branded to Pearson Wealth Management Ltd in 2018. Our success has been built on referrals from our existing clients and our professional connections, which we believe is strong evidence of the level of service we offer to our clients.

We are a locally owned, genuinely independent company and we believe the key to successful financial planning is to work in partnership with our clients to create a better understanding of their objectives and priorities. Being able to provide a wide range of expertise amongst our advisers allows us to build long term relationships with our clients throughout their financial journey.

Our client's financial wellbeing is at the heart of our business. With over 180 years of financial services experience within the firm and over £200 million of assets under management, we have the expertise, experience and knowledge to be able to advise on all aspects of financial planning.

### Our services

Each recommendation is tailored to suit the personal circumstances of the client from the range of services we offer. This includes:

- Retirement planning
- Investment management
- IHT / Estate Planning
- Protection
- Long Term Care

**Pearson Wealth Management Ltd**

Tuddenham Hall Estate Office
Tuddenham, Ipswich, Suffolk IP6 9DD

**T:** 01473 784430
**F:** 01473 784687
**E:** info@pearsonwm.co.uk

3 Dickens House, Guithavon Street
Witham, Essex, CM8 1BJ

**T:** 01376 503561
**F:** 01473 784687
**E:** info@pearsonwm.co.uk

Authorised and regulated by the Financial Conduct Authority. FCA N°. 825434. Registered in England N°. 11533720.
Directors: A.J. Keith and S.Pyne. Head office: Tuddenham Hall Estate Office, Tuddenham, Ipswich, Suffolk, IP6 9DD.