



6 Month Investment Review #11

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 11th Investment Review for Pearson Wealth Management Investment Portfolios.

We have been running our portfolios since 2008 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.

We believe in a holistic approach to 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.

This review will cover the period from the beginning of October 2023 to end of March 2024.

All photos are of our local area in Suffolk and taken by one of our clients.

www.tonypickphotography.co.uk



Market overview

October 2023 to end of March 2024

Turning the corner

Since our last commentary in October, markets have taken a much-needed turn for the better as finally it seems central bankers in Europe, the UK and the US agree we have had enough of their rate tightening. They have started to talk about loosening monetary policy and a beginning of rate reductions. In the UK it might come a bit too late to save some of the 1.3 million mortgage holders who need to remortgage this year - seeing average rates go from 1.69% to an estimated 4.78%. Either way, equity markets have got excited (and possibly ahead of themselves), giving us all a much-needed boost to our investments.

If indeed markets are correct and rates start to come back down, the next question is which sectors of the market will benefit from the \$6 trillion sat in cash, which will need to seek a new home at some stage in the future.

We have already seen something of a rally in the battered Tech sector, as the rise in Artificial Intelligence (AI) has become the dominant talking point with investors. Whether this continues long term or not, certainly short-term AI will probably dictate the direction of markets.

Aside from AI, markets as a whole are generally flat since the beginning of February a sure sign investor are now waiting for the first rate cuts before deciding which sectors of the market to allocate their cash holdings to. We still believe the two sectors worst hit since the end 2021, infrastructure and smaller companies, have merit and continue to hold in the belief that lower interest rates will give a lift to both sectors.

The other areas we currently see value in are short dated high yield bonds and for the first time in what seems a lifetime to investors Japan, as it might



finally be starting to re-emerge from the shadow of China. We anticipate over the course of this year adding allocations to both market sectors.

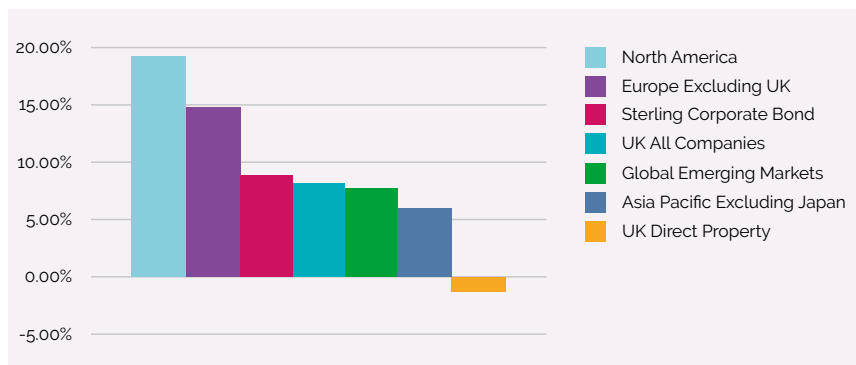
As you can see from the data in our brochure, our regular portfolios have been more resilient than our responsible portfolios. One reason for this is due to the characteristics of the underlying responsible stocks, such as their growth orientation. Many responsible stocks tend to be growth-orientated because the underlying companies are addressing growing markets. This can mean the stocks look more expensive relative to short-term earnings and it also means they are more sensitive to changes in interest rates.

Another reason is many responsible stocks tend to be smaller than most of the stocks included in the mainstream indices as they are focused on sustainability solutions, rather than diversified into broad sectors. Some sustainability sectors are large and

support large businesses, but most are smaller, but growing faster.

Beyond these shorter-term market headwinds, there were also some fundamental challenges to responsible investing in 2023. Most visible was the political resistance to the climate change transition. Populist governments around the world painted decarbonisation as expensive and unfair. They rolled back regulations and removed policy support for green technologies. Rising interest rates also made the installation of renewables more expensive and this can be seen in the performance of some of our Clean Energy and Infrastructure stocks. However, we now have a commitment by the UK Government to raise the maximum allowable strike price for energy from renewable technologies, which will make it much more feasible for renewable projects to be built and provide the clean energy we need to fulfil our Net Zero targets.

Key market performance October 2023 to March 2024



Pearson portfolios – asset allocation

There are four Regular portfolios and four Responsible 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.

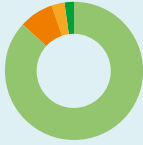
For an explanation of the figures and the sources of the information, please see page 14.

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 Adventurous



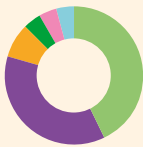
- 86% – Equities
- 8% – Emerging Markets Equities
- 3% – Money Market
- 2% – Commodity & Energy
- 0% – Other

FE Risk Score **96**

Guide Equity content **100%**

max 6 month gain **12.80%**
max 6 month loss **-12.71%**

Pearson Responsible Cautious/Moderate



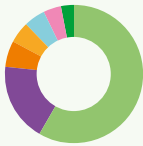
- 42% – Equities
- 36% – Fixed Interest
- 8% – Money Market
- 4% – Commodity and Energy
- 4% – Property
- 4% – Other

FE Risk Score **64**

Guide Equity content **48%**

max 6 month gain **10.01%**
max 6 month loss **-8.24%**

Pearson Responsible Moderate



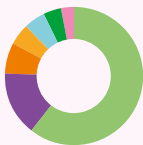
- 58% – Equities
- 18% – Fixed Interest
- 6% – Emerging Markets Equities
- 5% – Money Market
- 5% – Other
- 4% – Property
- 3% – Commodity & Energy

FE Risk Score **80**

Guide Equity content **63%**

max 6 month gain **12.14%**
max 6 month loss **-10.11%**

Pearson Responsible Moderate/Adventurous



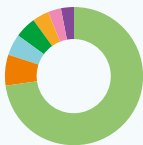
- 60% – Equities
- 15% – Fixed Interest
- 7% – Emerging Markets Equities
- 5% – Money Market
- 5% – Other
- 4% – Commodity & Energy
- 3% – Property

FE Risk Score **89**

Guide Equity content **76%**

max 6 month gain **13.06%**
max 6 month loss **-10.66%**

Pearson Responsible Adventurous



- 73% – Equities
- 7% – Emerging Markets Equities
- 5% – Other
- 5% – Commodity & Energy
- 4% – Money Market
- 3% – Property
- 3% – Fixed Interest

FE Risk Score **99**

Guide Equity content **100%**

max 6 month gain **15.08%**
max 6 month loss **-11.68%**

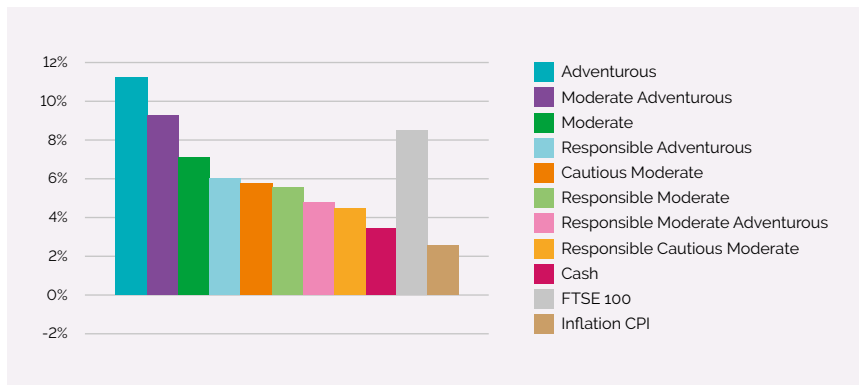


Longer term performance

The graphs below show how the Pearson portfolios within the different 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 FTSE 100 shares are also shown (all data powered by FE).

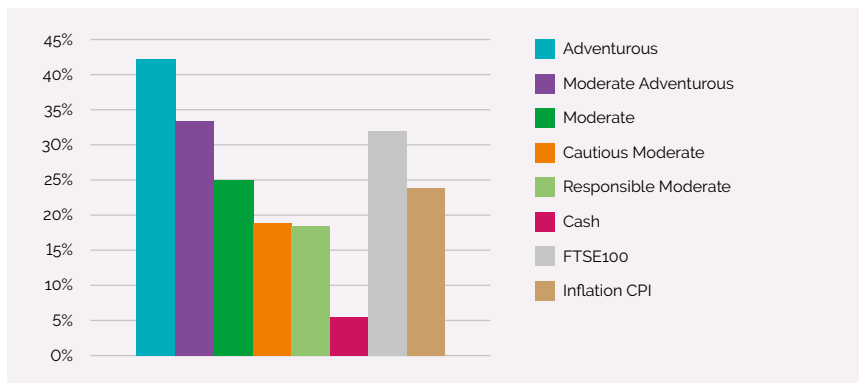
Pearson portfolio – 1 year

01/04/2023 to 28/03/2024



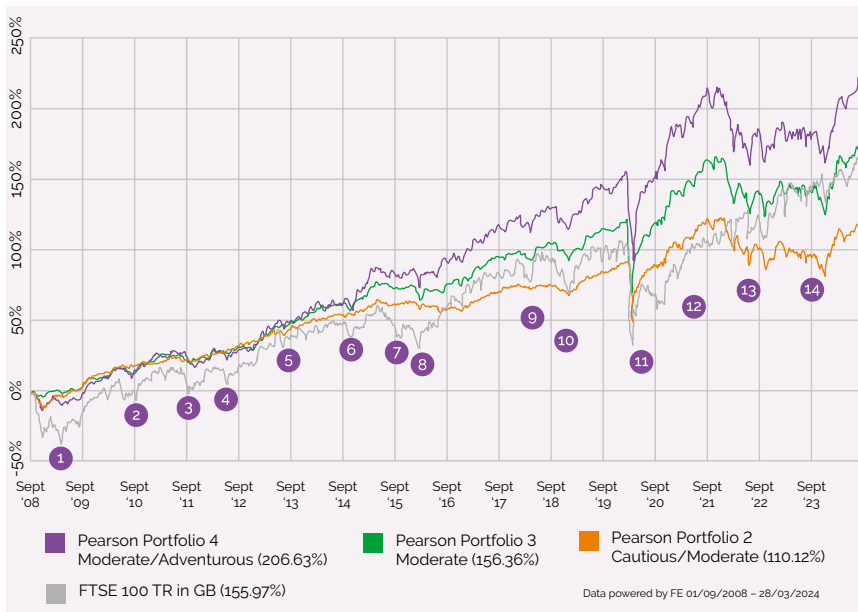
Pearson portfolio – 5 year

01/04/2019 to 28/03/2024



Market Volatility 15 year performance context

In the last 15 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 three of our most popular portfolios into context alongside the FTSE 100.



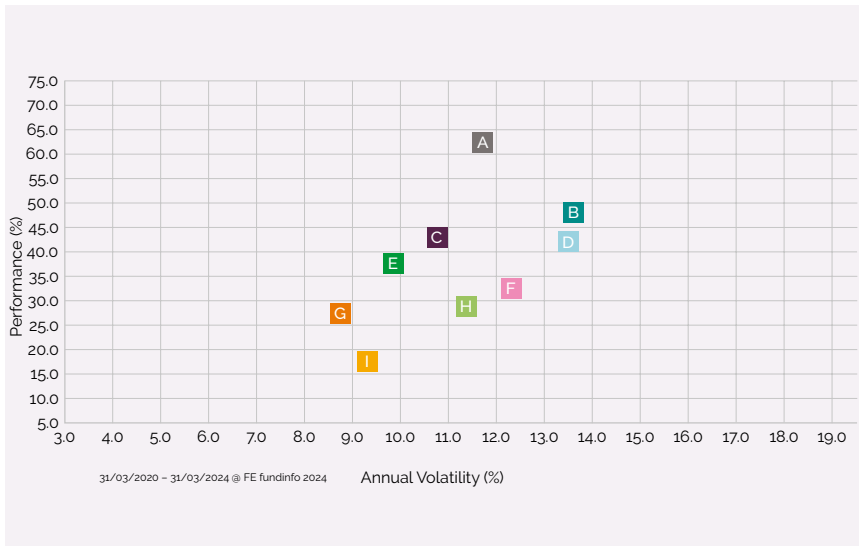
- 1 2008/2009 Lehman Brothers file for bankruptcy. HBOS and Lloyds in merger talks. Bank of England cuts interest rates to 0.5%. Greek debt crisis starts.
- 2 2010 Flash Crisis Dow Jones loses nearly 1000 points. US Debt.
- 3 2011 Volatile Markets plummet. Japanese earthquake.
- 4 2012 Spanish debt crisis. 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 Fears of a Chinese slowdown. Oil prices fall.
- 8 2016 EU Referendum. Donald Trump elected USA president.
- 9 2017 Global market volatility and Brexit uncertainty
- 10 2018 US/China trade war, US interest rate hikes. Continued Brexit saga.
- 11 2019 Market volatility. FED lowers Interest rates. Brexit end in sight. USA/China agree trade deal
- 12 2020 Coronavirus Pandemic. Oil Price Crash. Brexit Negotiations
- 13 2021 Inflation worries, supply chain issues, energy prices rise.
- 14 2022 War in Ukraine. Oil price shock. Persistent inflation and global interest rate hikes.
2023 Bank failures. Inflation persitant but lowering. Continued Market volatility. War in Middle East



Risk vs return trade-off

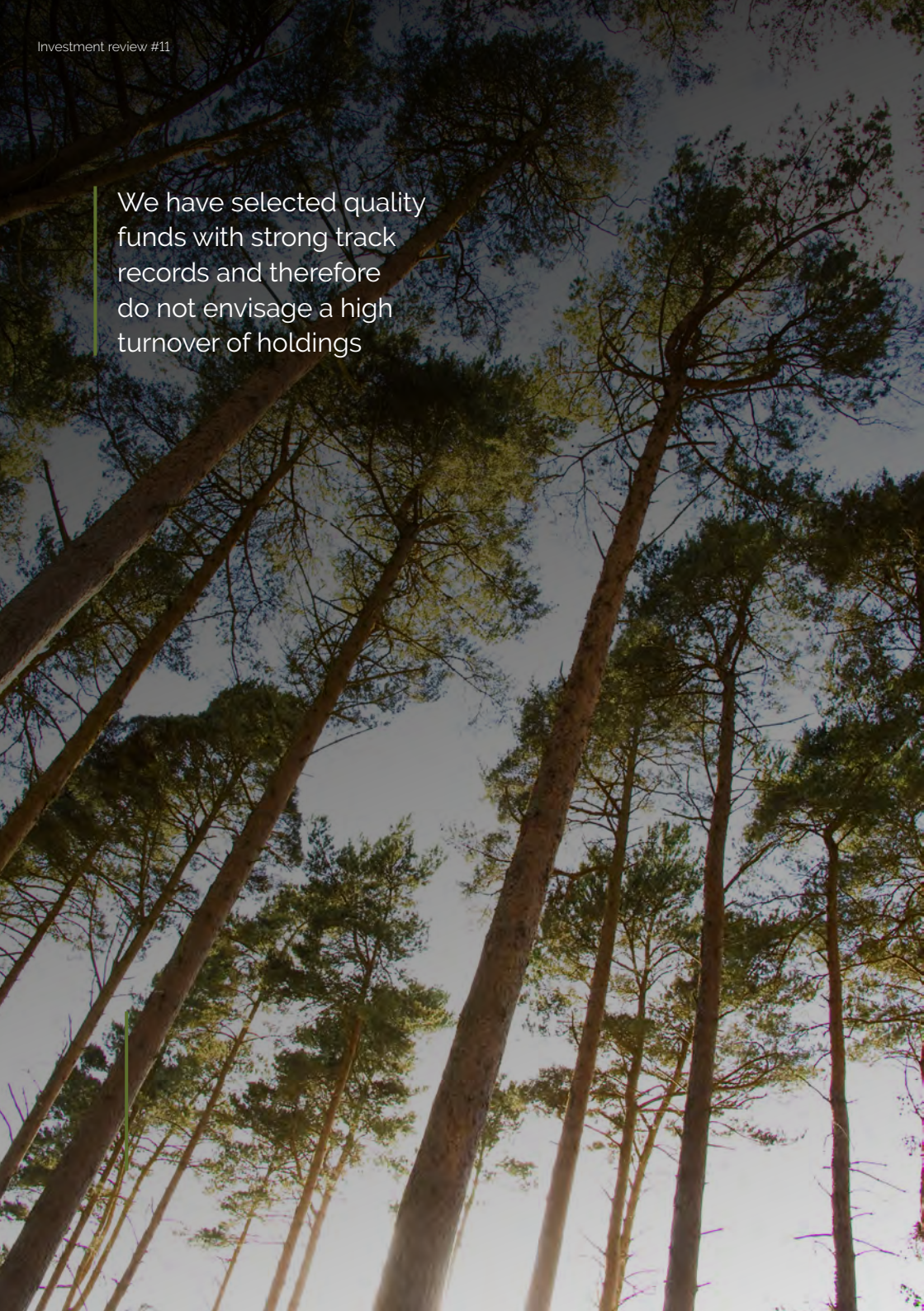
Higher risk generally means a higher return on your investment. However, the higher the risk the higher the chance of volatility.

The risk / return ratio of our portfolios is shown in the scatter chart below.



Key	Name	Performance	Volatility %
A	FTSE 100 TR in GB	61.64	11.84
B	Pearson Portfolio 5 Adventurous – Transact TR in GB	49.10	13.03
C	Pearson Portfolio 4 Moderate Adventurous – Transact TR in GB	43.90	10.88
D	Pearson Portfolio 5R Responsible Adventurous – TR in GB	42.23	13.58
E	Pearson Portfolio 3 Moderate – Transact TR in GB	35.68	9.92
F	Pearson Portfolio 4R Responsible Mod Adv – TR in GB	31.82	12.33
G	Pearson Portfolio 2 Cautious Moderate – Transact TR in GB	25.97	8.92
H	Pearson Portfolio 3R Responsible Moderate – TR in GB	24.54	11.20
I	Pearson Portfolio 2R Responsible Cau Mod – TR in GB	17.35	9.17

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





Performance review

Markets have taken a much-needed turn for the better as finally it seems central bankers in Europe, the UK and the US agree we have had enough of their rate rises.

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, e.g. consistent under performance or a change in management team.

It is also important 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 assessed our fund holdings, with the following fund being removed from the portfolio as applicable:

- Royal London Global Select
- BNY Mellon UK Income
- Matthews China Small Companies
- Foresight UK Infrastructure
- CT Responsible Global Emerging Markets

We have added the following funds where applicable:

- Artemis Short Dated High Yield
- L&G Global Technology
- Nomura Japan Strategic Value
- CT UK Social Bond
- EdenTree Short Dated Bond
- Royal London Sustainable Leaders Trust

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 3 years to include the Responsible portfolios.

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 September 2022. 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.

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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

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