PEARSON
WEALTH MANAGEMENT LTD

6 Month Investment Review #8

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 8th 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.

Since our last update we have decided to change the name of these brochures from Summer and Winter, to 6 month Review. They will also be numbered – (this one is number 8 as there have been 7 before). They will however, still cover the same time periods as before – April to September and October to March.

Market overview

April to September 2022

When we eventually get to look back at 2022 from an investment perspective, it will clearly be labelled as one of the most disruptive years for markets for a very long time, and that includes 2020 - the year of Covid19. Markets across the board have taken a beating. Faced with rising inflation, higher interest rates and an energy crisis emanating out of the war in Ukraine, there has been no hiding place for investors. However, it might also be seen as the catalyst that finally drove us to confront many of the issues we have been so adept at avoiding for far too many years.

Since the financial crisis of 07/08 central banks globally have supported financial markets with a tsunami of additional money known as Quantitative Easing. This seemingly regular increase in money has helped smooth out the many bumps in the road since then, it has helped keep interest rates at near zero and given confidence to consumers and business in an effort to help foster growth. This experiment culminated in the Covid payments of 2020, which both central bankers and politicians claim helped us survive the pandemic.

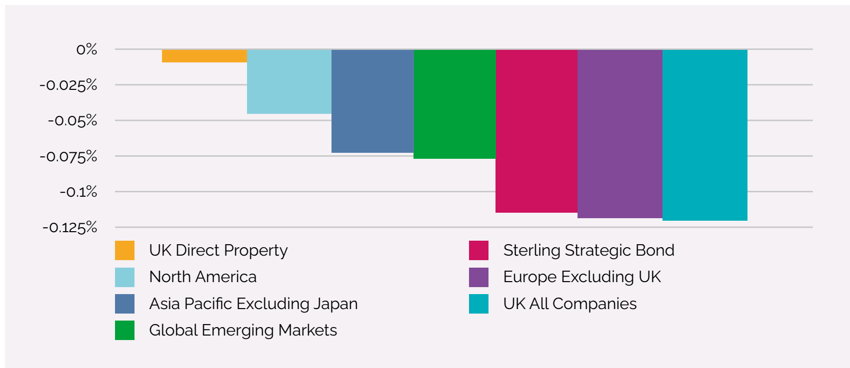
Either way, this rise in monetary largesse helped prop up global economies at a time when needed – and now with high inflation and rising interest rates, it seems 2022 is the catalyst for unwinding some, if not all of this stimulus. It is expected here in the UK that the Bank of England will start this process very soon with the US following shortly afterwards. The success or not of this project will likely determine future inflation levels and interest rate rises.

So, having addressed one thorny topic left for far too long, what other areas will be forced into the spotlight? If nothing else, the war in Ukraine has hammered home the importance for nations to be self-sufficient when it comes to energy. For many this will still be a reliance on oil and gas, (hopefully only until renewable infrastructure catches up with demand). But for a large swathe of the globe this self-sufficiency must come via the transition to sustainable resources.

Power Pricing reforms are on the agenda in the UK and EU, with a mandate to cut the cost of electricity that is produced by renewables. This can be done by decoupling it from the volatile gas price, and along with incentives to draw energy from the grid at cheaper rates when demand is low - will enhance our energy security. This decoupling will surely make renewable energy far more attractive for further investment which will in turn help us to deliver on our net zero targets for 2035.

This will be one step to enabling us to move down a much better road and it is these positives we will look to focus on in the future. Yes, 2022 will be marked down as a black swan event but it could also be seen as the start of something very positive. Time will tell.

Key market performance April to September 2022



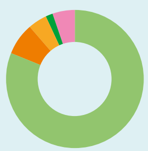
Pearson portfolios – asset allocation

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



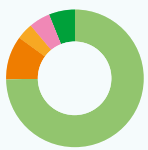
- **81.10%** – Equities
- **7.59%** – Emerging Markets Equities
- **4.30%** – Money Market
- **1.90%** – Commodity & Energy
- **5.00%** – Property

FE Risk Score **101**

Guide Equity content **100%**

max 6 month gain **27.69%**
max 6 month loss **-14.31%**

Pearson Responsible Adventurous



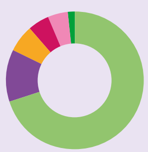
- **74.51%** – Equities
- **10.11%** – Emerging Market Equities
- **4.07%** – Money Market
- **5.00%** – Property
- **5.83%** – Commodity & Energy

FE Risk Score **98**

Guide Equity content **100%**

max 6 month gain **23.29%**
max 6 month loss **-13.34%**

Pearson Moderate/Adventurous



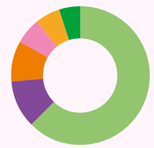
- **70.25%** – Equities
- **12.18%** – Fixed Interest
- **6.23%** – Money Market
- **5.16%** – Alternative Strategies
- **4.50%** – Property
- **1.66%** – Commodity & Energy

FE Risk Score **80**

Guide Equity content **76%**

max 6 month gain **21.12%**
max 6 month loss **-15.80%**

Pearson Responsible Moderate/Adventurous



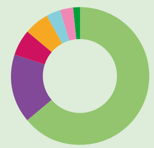
- **62.34%** – Equities
- **10.99%** – Fixed Interest
- **9.46%** – Emerging Markets Equities
- **6.00%** – Property
- **5.93%** – Money Market
- **4.84%** – Commodity and Energy

FE Risk Score **88**

Guide Equity content **76%**

max 6 month gain **20.67%**
max 6 month loss **-13.39%**

Pearson Moderate



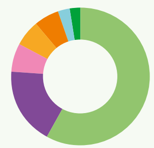
- **64.13%** – Equities
- **16.04%** – Fixed Interest
- **6.16%** – Alternative Strategies
- **5.72%** – Money Market
- **3.48%** – Other
- **2.97%** – Property
- **1.50%** – Commodity & Energy

FE Risk Score **71**

Guide Equity content **63%**

max 6 month gain **17.19%**
max 6 month loss **-15.26%**

Pearson Responsible Moderate



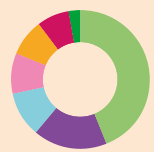
- **57.94%** – Equities
- **18.19%** – Fixed Interest
- **6.54%** – Property
- **6.23%** – Money Market
- **5.66%** – Emerging Markets Equities
- **2.99%** – Other
- **2.25%** – Commodity & Energy

FE Risk Score **79**

Guide Equity content **63%**

max 6 month gain **16.79%**
max 6 month loss **-14.68%**

Pearson Cautious/Moderate



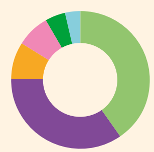
- **44.11%** – Equities
- **17.02%** – Fixed Interest
- **10.74%** – Other
- **9.48%** – Property
- **8.40%** – Money Market
- **7.71%** – Alternative Strategies
- **2.55%** – Commodity & Energy

FE Risk Score **63**

Guide Equity content **48%**

max 6 month gain **14.40%**
max 6 month loss **-13.59%**

Pearson Responsible Cautious/Moderate



- **40.41%** – Equities
- **34.91%** – Fixed Interest
- **8.71%** – Money Market
- **7.86%** –Property
- **4.66%** – Commodity and Energy
- **3.45%** – Other

FE Risk Score **62**

Guide Equity content **48%**

max 6 month gain **15.22%**
max 6 month loss **-9.97%**

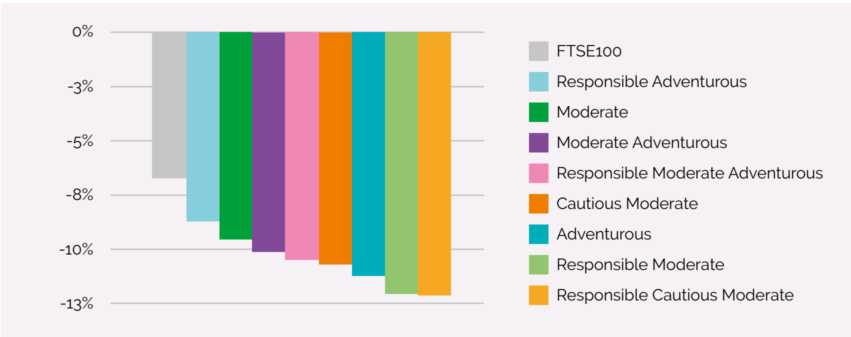
6 month performance

April to September 2022

The graphs below show how the Pearson portfolios within the different 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).

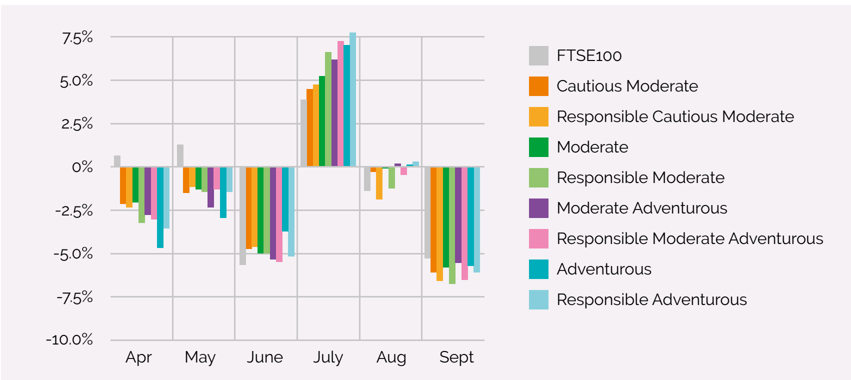
Cumulative performance – 6 Months

01/04/2022 to 30/09/2022



Discrete performance – 6 Months

01/04/2022 to 30/09/2022

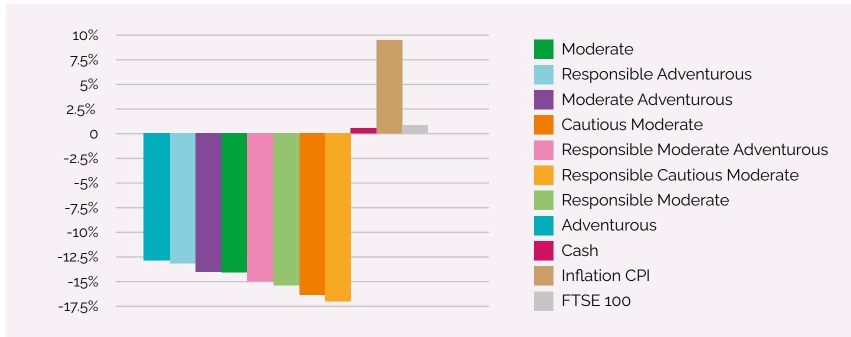


Longer term performance

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).

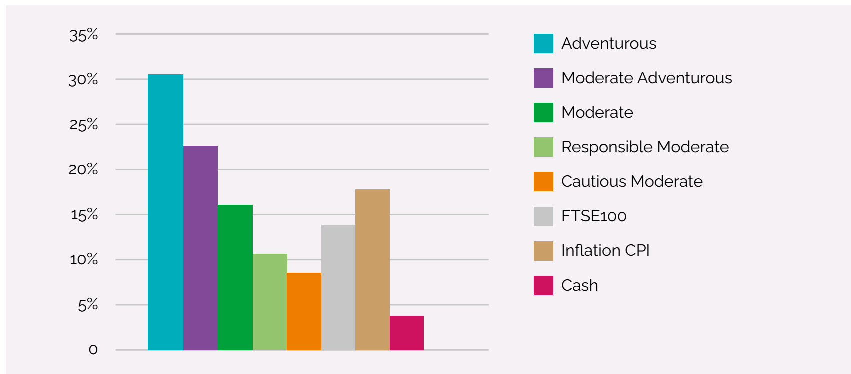
Pearson portfolio – 1 year

30/09/2021 to 30/09/2022



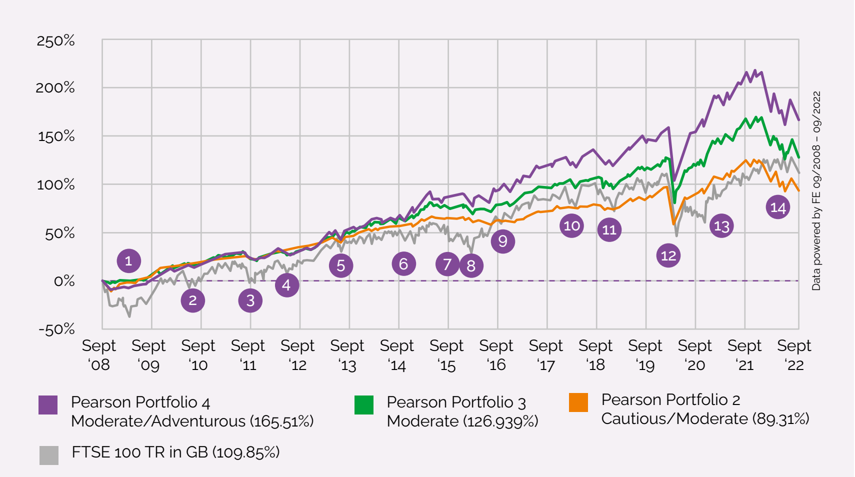
Pearson portfolio – 5 year

30/09/2017 to 30/09/2022



Market Volatility 14 year performance context

In the last 13 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.

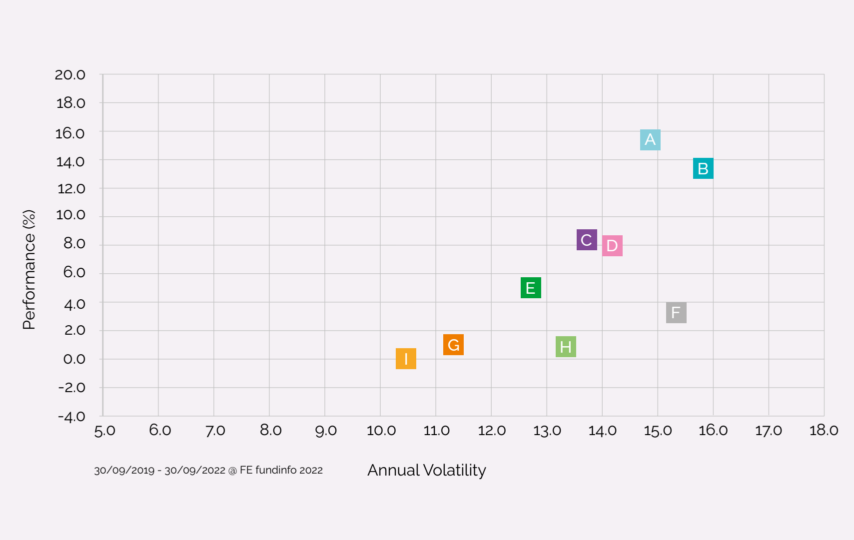


1. **2008/2009** Lehman Brothers file for bankruptcy. HBOS and Lloyds in merger talks. Bank of England cuts interest rates to 0.5%. Greek debt crisis starts.
2. **2010** Flash Crisis Dow Jones loses nearly 1000 points. US Debt.
3. **2011** Volatile Markets plummet. Japanese earthquake.
4. **2012** Spanish 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.

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	Pearson Portfolio 5R Responsible Adventurous – TR in GB	15.77	14.95
B	Pearson Portfolio 5 Adventurous – Transact TR in GB	13.72	15.88
C	Pearson Portfolio 4 Moderate Adventurous – Transact TR in GB	8.26	13.72
D	Pearson Portfolio 4R Responsible Mod Adv – TR in GB	7.82	13.94
E	Pearson Portfolio 3 Moderate – Transact TR in GB	4.83	12.68
F	FTSE 100 TR in GB	3.64	15.31
G	Pearson Portfolio 2 Cautious Moderate – Transact TR in GB	1.10	11.16
H	Pearson Portfolio 3R Responsible Moderate – TR in GB	0.66	13.24
I	Pearson Portfolio 2R Responsible Cau Mod – TR in GB	0.25	10.34

Performance review

The summer of 2022 has seen extremes in market volatility, fuelled by the war in Ukraine, persistent inflation and central banks' interest rate rise expectations.

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 funds moving to red status and being removed from the portfolios as applicable:

- Allianz Green Bond
- Liontrust UK Smaller Companies
- Pimco Climate Bond
- Sarasin Food & Agriculture
- Baillie Gifford Positive Change
- Aegon Ethical Equity
- BMO Responsible Emerging Markets

We have added the following funds where applicable:

- BNY Mellon Global Income
- BNY Mellon UK Income
- BNY Mellon Sustainable Global Eq Inc
- Edentree R&S Short Dated Bond
- First Sentier Resp Listed Infrastructure
- GamStar Global Rates
- Guinness Sustainable Energy
- Janus Henderson UK Resp Income
- L&G Infrastructure Index
- Polar Capital Smart Energy
- Stewart Inv Asia pacific Sustainability
- VT Gravis Clean Energy Income

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

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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