



**Winter
Investment
Review 2019**



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 Winter Review 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

July to December 2019

As we rush towards another decade the second half of 2019 has been characterised yet again by volatility. Despite falls of 8% and 6% in main markets in August and October, it looks as if 2019 will be a vintage year for investors. As an example, in the last year, the main US index the S&P 500 has returned over 25% and the main UK index the FTSE 100 has returned over 17%.

So, at a time of supposedly global economic slowdown, recession risk and declining bond yields it is surprising that markets have been so buoyant. This is partially due to several factors, not least the current ongoing saga between the US and China for world domination of trade. At present, positive sentiment abounds that a deal can be struck which benefits both parties and delays the date of any future recession. However,

as we have seen over the last 2 years, sentiment can change very quickly, as can markets.

Outside of trade wars, Brexit and any other geopolitical tensions, the other factor to consider when assessing markets is central bank policies. Having undergone a tightening programme of raising interest rates in 2018, the Federal Reserve cut rates in 2019 as fears of recession grew. Heading into 2020 both they and nearly all other central banks seem determined to keep rates low and liquidity high in order to keep economic growth on track.

Closer to home, with a Conservative majority Boris's withdrawal agreement is likely to be approved rapidly. However, EU trade deals are still uncertain, we now need to enter negotiations on the permanent trading relationship, and this may prove just

as challenging as the past 3½ years of Brexit uncertainty. The long-term aspects of Brexit are likely to keep UK productivity growth fairly low.

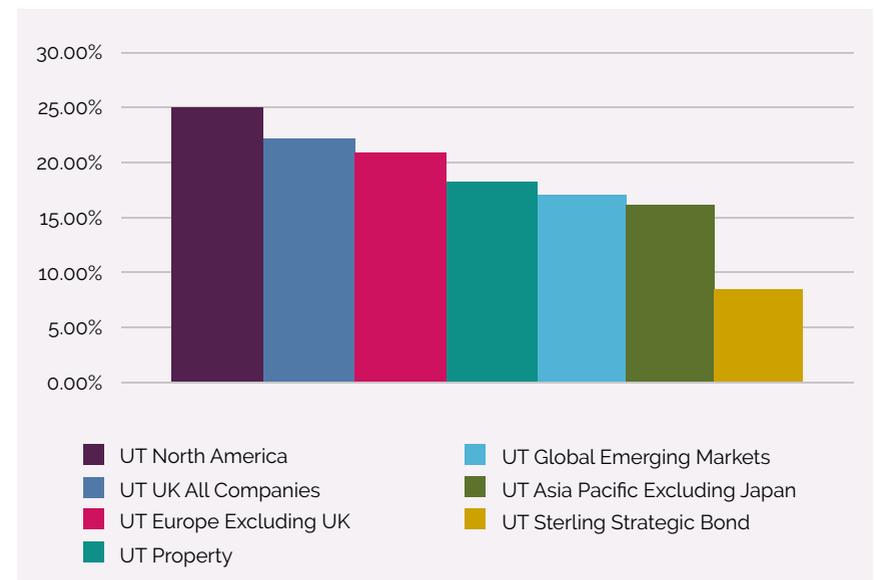
Results in Northern Ireland and Scotland suggest more tension for the concept of the United Kingdom. Both now have majority seats with party's that are pro EU, so the possibility of a referendum for a united Ireland or a second referendum in Scotland cannot be dismissed.

A Conservative majority was initially good for Sterling which was up 2% and the FTSE 250 was up 4.3% the day after the election. But the pound

slumped after Boris revived the threat of UK leaving without a deal with plans to change the law to block any further Brexit delays.

Christine Lagarde takes over as chairman of ECB, stating that she is 'neither a dove or a hawk' with an ambition to be a 'wise owl' she has kept open the possibility of a fresh stimulus package after admitting that a plan to inject €20bn a month was unlikely to push growth and inflation back to target. The big question is, can she get eurozone politicians to agree on fiscal measures and banking regs to support monetary policy?

Key market performance July to December 2019



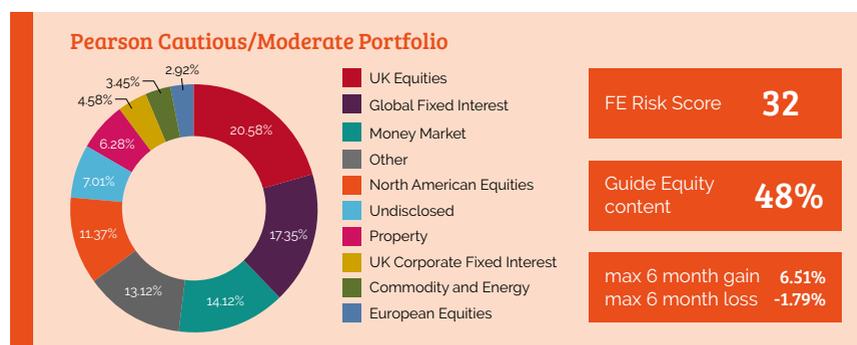
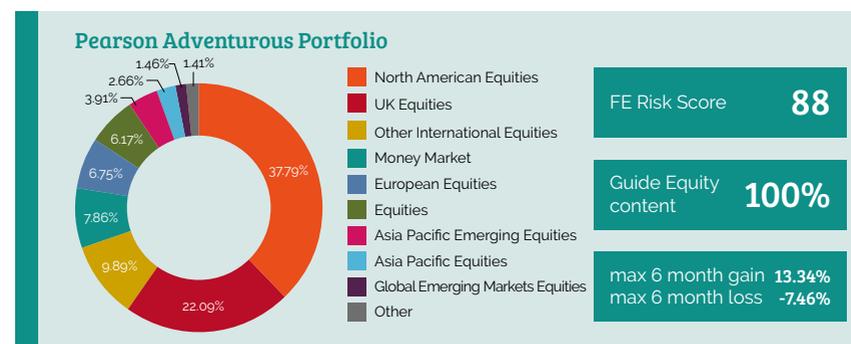
Pearson portfolios – asset allocation

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.

We have also created three new Responsible portfolios, if you require further information please contact your adviser.



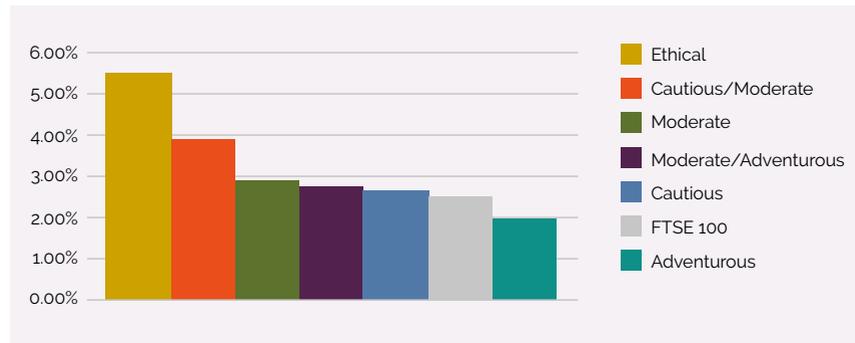


6 month performance

July to December 2019

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 01/07/2019 – 31/12/2019



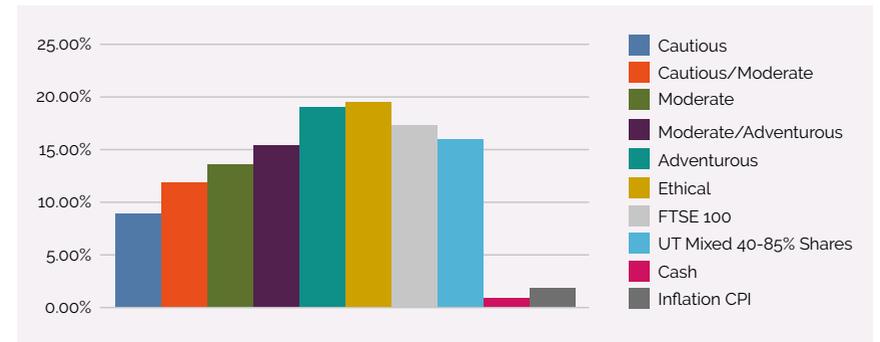
Discrete performance – 6 Months 01/07/2019 – 31/12/2019



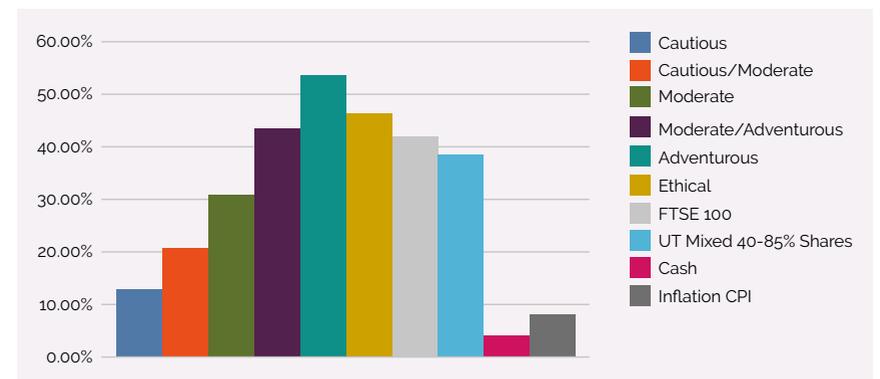
Longer term performance

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 01/01/2019 – 31/12/2019



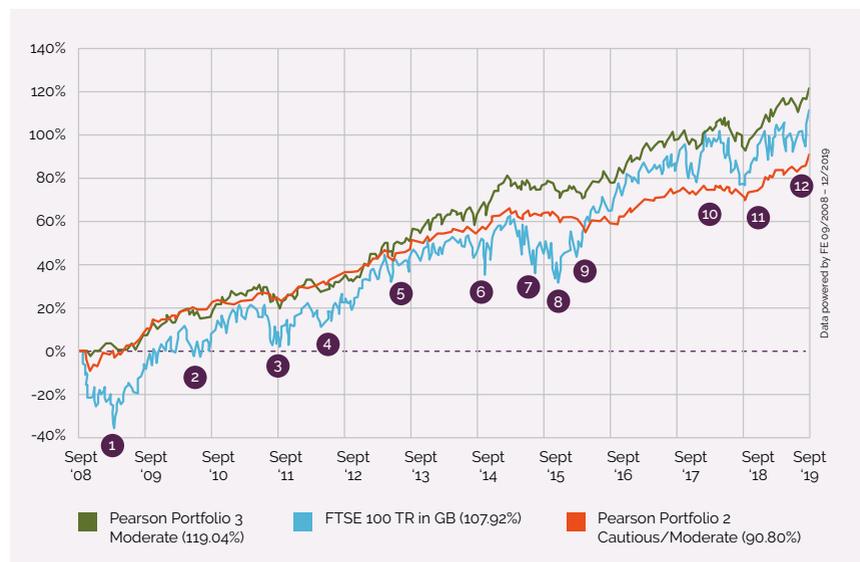
Pearson portfolio – 5 year 01/01/2015 – 31/12/2019





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.

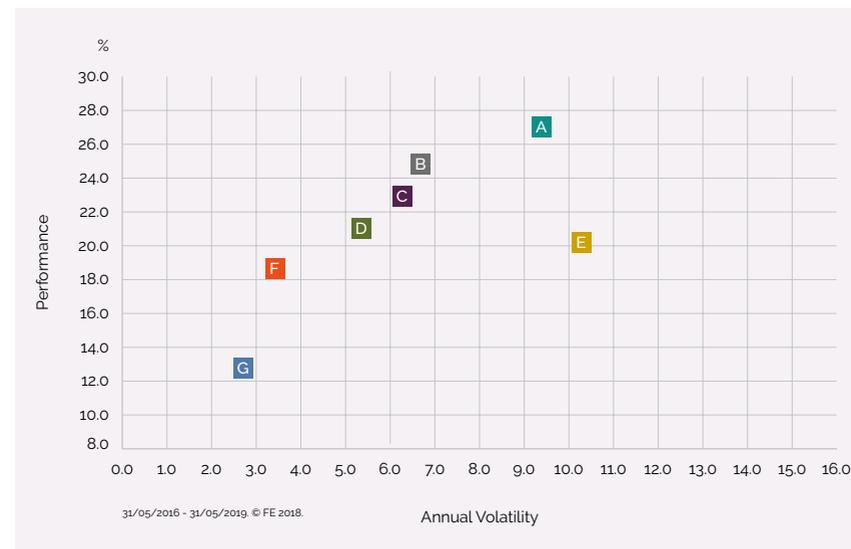


- 1 2008/2009 Lehman Brothers file for bankruptcy. HBOS and Lloyds in merger talks. Bank of England cuts interest rates to 0.5%. Greek debt crisis starts.
- 2 2010 Flash Crisis Dow Jones loses nearly 1000 points. US Debt.
- 3 2011 Volatile Markets plummet. Japanese earthquake.
- 4 2012 Spanish debt crisis. 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 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.
- 12 2019 Market expectations cause volatility. FED lowers Interest Rates. Brexit end in sight as conservative win landslide election. USA/China agree first draft of trade deal.

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 5 Adventurous – Transact TR in GB	26.99	9.26
B	FTSE 100 TR in GB	24.87	6.51
C	Pearson Portfolio 4 Moderate/Adventurous – Transact TR in GB	22.99	6.24
D	Pearson Portfolio 3 Moderate – Transact TR in GB	20.95	5.31
E	Pearson Portfolio 6 Ethical – Transact TR in GB	19.87	10.12
F	Pearson Portfolio 2 Cautious/Moderate – Transact TR in GB	18.40	3.48
G	Pearson Portfolio 1 Cautious – Transact TR in GB	12.70	2.74



Performance review

2019 has enjoyed an epic bounce to the highs of 2018, but volatility remains.

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 the 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 reassessed our fund holdings with the following funds moving to red status and being removed from the portfolios as applicable:

- Amedeo Air Four Plus Ltd
- L&G UK Property
- BMO UK Property
- Threadneedle UK Absolute Alpha
- LF Miton UK Value Opportunities
- Vontobel mtx Sustainable Emerging Mkts

We have added the following funds where applicable:

- Liontrust SF Absolute Growth
- Chelverton UK Equity Growth
- Lindsell Train UK Equity
- Nomura Global Dynamic Bond
- Schroder Sterling Corporate Bond
- Time: Social Long Income
- BMO Responsible Emerging Mkts



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 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 June 2019. 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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