PEARSON
WEALTH MANAGEMENT LTD

Winter Investment Review 2022

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 Winter 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.

In addition to our existing portfolios, we recently added 3 new responsible portfolios following considerable client interest. As these are new, they do not have a long track record, and therefore are only shown on the 6 month and 1 year performance graphs.

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.

Photo credits: Tony Pick Photography

Market overview

October 2021 to March 2022

Welcome to the Winter investment update. It is hard not to start any commentary without first mentioning the ongoing conflict in Ukraine. I am sure along with everyone else our thoughts are with all the people of Ukraine.

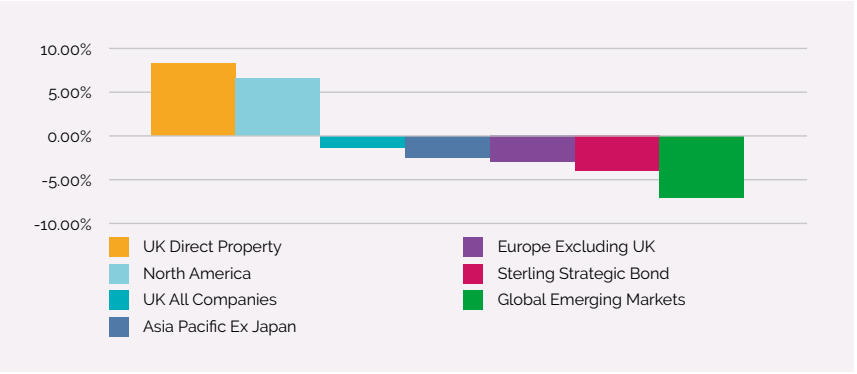
The last six months have been something of a roller coaster for stock markets or perhaps a better analogy would be a game of two halves. The last quarter of 2021 provided solid returns based on record growth and company profits as globally the effects of Covid appeared to diminish and more countries opened up their economies (China being the exception). Then as we entered 2022 markets started to swing in the opposite direction as fears of higher inflation for a longer period took hold. Add into the mix the fact that Central Banks are determined to raise interest rates and reduce their debt holdings of bonds bought throughout the pandemic, you can start to see why markets have behaved the way they have.

Inflation and how it is being dealt with by Central Banks was always going to be the story of 2022 for investment markets. However, the Russian invasion of Ukraine has thrown more than just a proverbial spanner into the works. The next 12 months will of course be a difficult time for investment markets as investors struggle to assess the outcomes to both the war and the fight to reduce inflation. On top of this, the resurgence in Covid infections – while thankfully potentially less severe – is causing staffing disruptions and continues to impact supply chains, and along with sanctions in Russia – both are adding more layers to the inflation fuel.

But let us not forget, a lot of economics is related to the mood of the masses. You can have everything in place for growth - the jobs, the skilled people, the bundles of cash and the best infrastructure, but if we are all scared about the future we won't take advantage of it, we sit at home eating beans and doom scrolling. However, when people are happy and have confidence, we are more likely to go out to a restaurant, change career or go on holiday – there are obvious risks at the moment, the cost of living is sky rocketing, but sometimes we are still determined to go out and have a good time anyway.

So, what do we expect to see over the next six months? Certainly, Central Banks will continue to raise interest rates in an effort to curb inflation. In terms of markets, the World Bank despite acknowledging setbacks and possible further revisions still expects Global Growth to be in the region of 3.2% this year. In terms of our own portfolios, we see no benefits to wholesale changes preferring to hold onto good funds and trusted fund managers to see us through these challenging times, and the recent interest by policymakers in energy security has led to an emerging resurgence in environmental equities - some of which we hold in our portfolios, as many of these companies directly provide clean, long-term solutions.

Key market performance October 2021 to March 2022



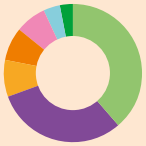
Pearson portfolios – asset allocation

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.

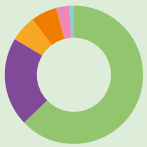
Pearson Cautious / Moderate



- **38.72%** – Equities
- **30.89%** – Fixed Interest
- **8.53%** – Money Market
- **7.78%** – Alternative Strategies
- **7.26%** – Property
- **3.88%** – Other
- **2.94%** – Commodity and Energy

FE Risk Score	48
Guide Equity content	48%
Max 6 month gain	14.40%
Max 6 month loss	-7.48%

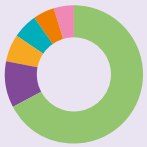
Pearson Moderate



- **62.94%** – Equities
- **20.71%** – Fixed Interest
- **6.20%** – Alternative Strategies
- **6.04%** – Money Market
- **3.11%** – Property
- **1%** – Other

FE Risk Score	57
Guide Equity content	63%
Max 6 month gain	17.19%
Max 6 month loss	-8.53%

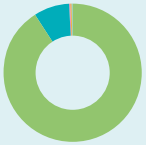
Pearson Moderate / Adventurous



- **67.38%** – Equities
- **10.72%** – Fixed Interest
- **6.49%** – Money Market
- **5.70%** – Emerging Markets Equities
- **5.26%** – Alternative Strategies
- **4.45%** – Property

FE Risk Score	66
Guide Equity content	76%
Max 6 month gain	21.12%
Max 6 month loss	-9.86%

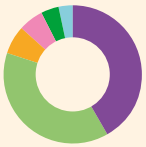
Pearson Adventurous



- **82.59%** – Equities
- **7.44%** – Emerging Markets Equities
- **5.34%** – Property
- **4.21%** – Money Market
- **0.42%** – Other

FE Risk Score	84
Guide Equity content	100%
Max 6 month gain	27.69%
Max 6 month loss	-12.71%

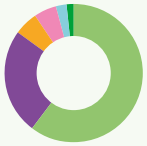
Pearson Responsible Cautious / Moderate



- **41.90%** – Fixed Interest
- **38.19%** – Equities
- **6.73%** – Money Market
- **5.71%** – Property
- **4.18%** – Commodity and Energy
- **3.29%** – Other

FE Risk Score	44
Guide Equity content	48%
Max 6 month gain	15.22%
Max 6 month loss	-7.55%

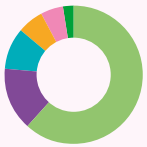
Pearson Responsible Moderate



- **60.37%** – Equities
- **24.79%** – Fixed Interest
- **5.48%** – Money Market
- **5.43%** – Property
- **2.39%** – Other
- **1.54%** – Commodity and Energy

FE Risk Score	62
Guide Equity content	63%
Max 6 month gain	16.79%
Max 6 month loss	-10.11%

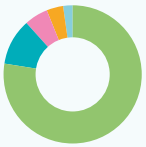
Pearson Responsible Moderate / Adventurous



- **61.83%** – Equities
- **14.65%** – Fixed Interest
- **9.70%** – Emerging Markets Equities
- **6.14%** – Money Market
- **5.43%** – Property
- **2.25%** – Commodity and Energy

FE Risk Score	69
Guide Equity content	76%
Max 6 month gain	20.67%
Max 6 month loss	-10.56%

Pearson Responsible Adventurous



- **77.62%** – Equities
- **10.74%** – Emerging Market Equities
- **5.72%** – Property
- **3.77%** – Money Market
- **2.15%** – Other

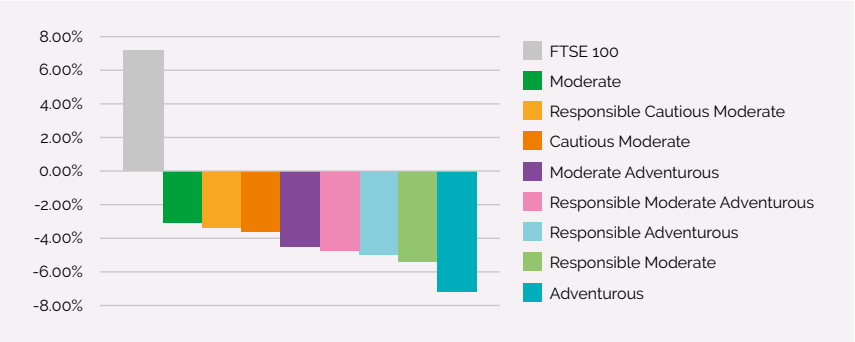
FE Risk Score	78
Guide Equity content	100%
Max 6 month gain	23.29%
Max 6 month loss	-11.68%

6 month performance

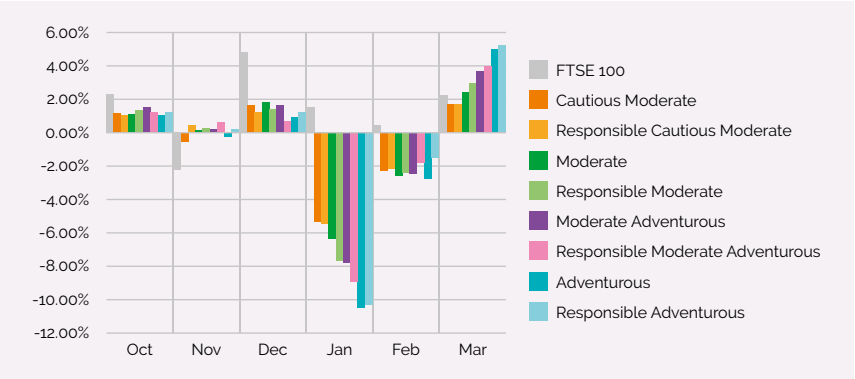
October 2021 to March 2022

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 01/10/2021 - 31/03/2022



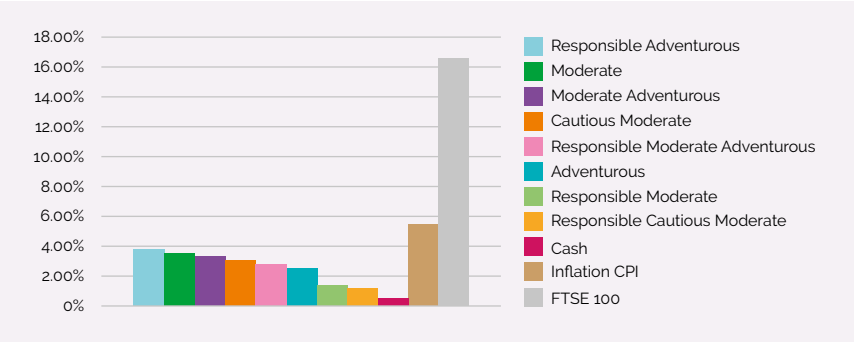
Discrete performance – 6 Months 01/10/2021 - 31/03/2022



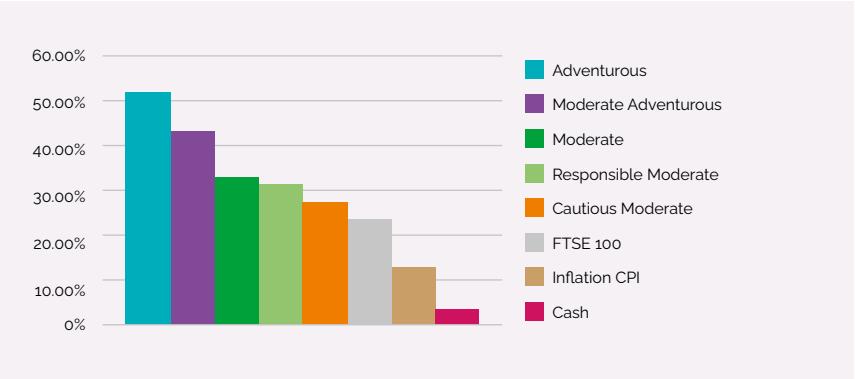
Longer term performance

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 (however this only shows the portfolios that have been running for over 5 years). For comparison, the returns of Cash (MoneyFacts 90 days notice 10K), inflation (UK Consumer Price index) are also shown (all data powered by FE).

Pearson portfolio – 1 year 31/03/2021 - 31/03/2022

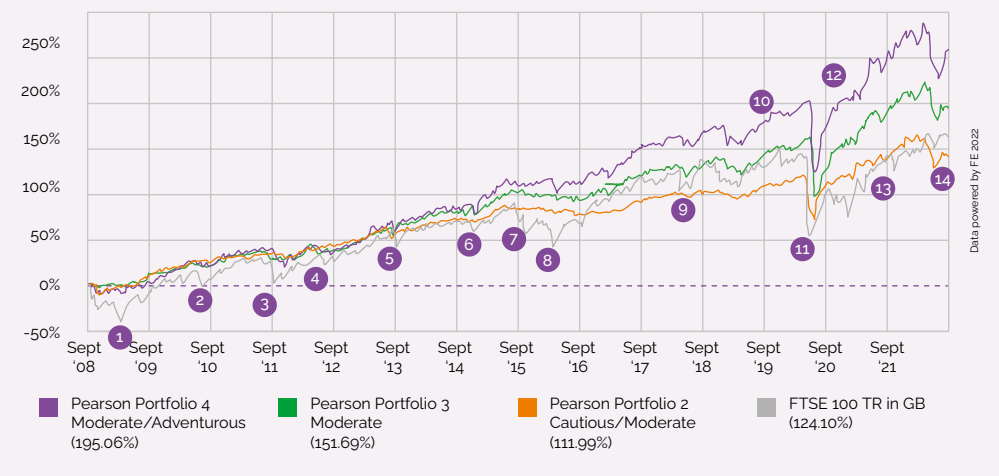


Pearson portfolio – 5 year 31/03/2017 - 31/03/2022



Market Volatility – 14 year performance context

In the last 14 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.

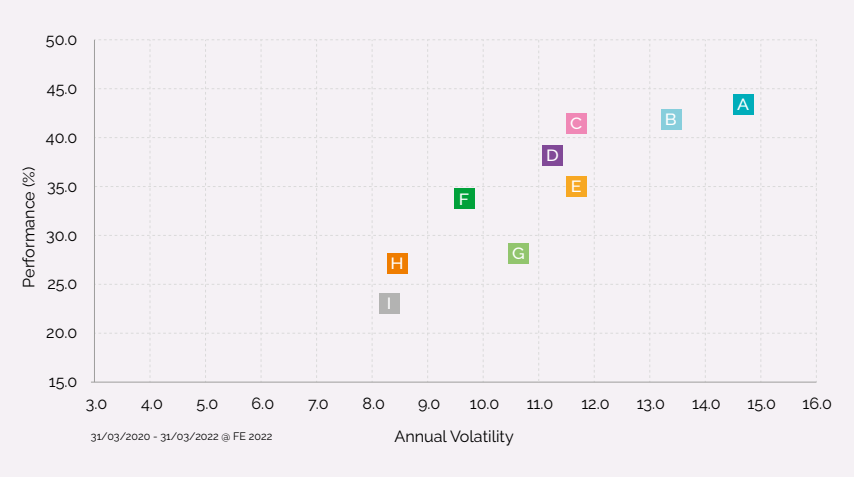


1. **2008/2009** Lehman Brothers file for bankruptcy. HBOS and Lloyds in merger talks. Bank of England cuts interest rates to 0.5%. Greek debt crisis starts.
2. **2010** Flash Crisis Dow Jones loses nearly 1000 points. US Debt.
3. **2011** Volatile Markets plummet. Japanese earthquake.
4. **2012** Spanish 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** Fear of Chinese slowdown and Oil price crash.
8. **2016** EU Referendum. Donald Trump elected USA president.
9. **2017** Global Market sell off. Brexit uncertainty. Weaker dollar pushed the index down.
10. **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.
11. **2020** Coronavirus Pandemic. Oil Price Crash. Continuing Brexit Saga.
12. **2020** A Vaccine and a Brexit Deal.
13. **2021** Inflation worries and supply chain issues.
14. **2022** Russia invades Ukraine, Oil price shock and persistent inflation.

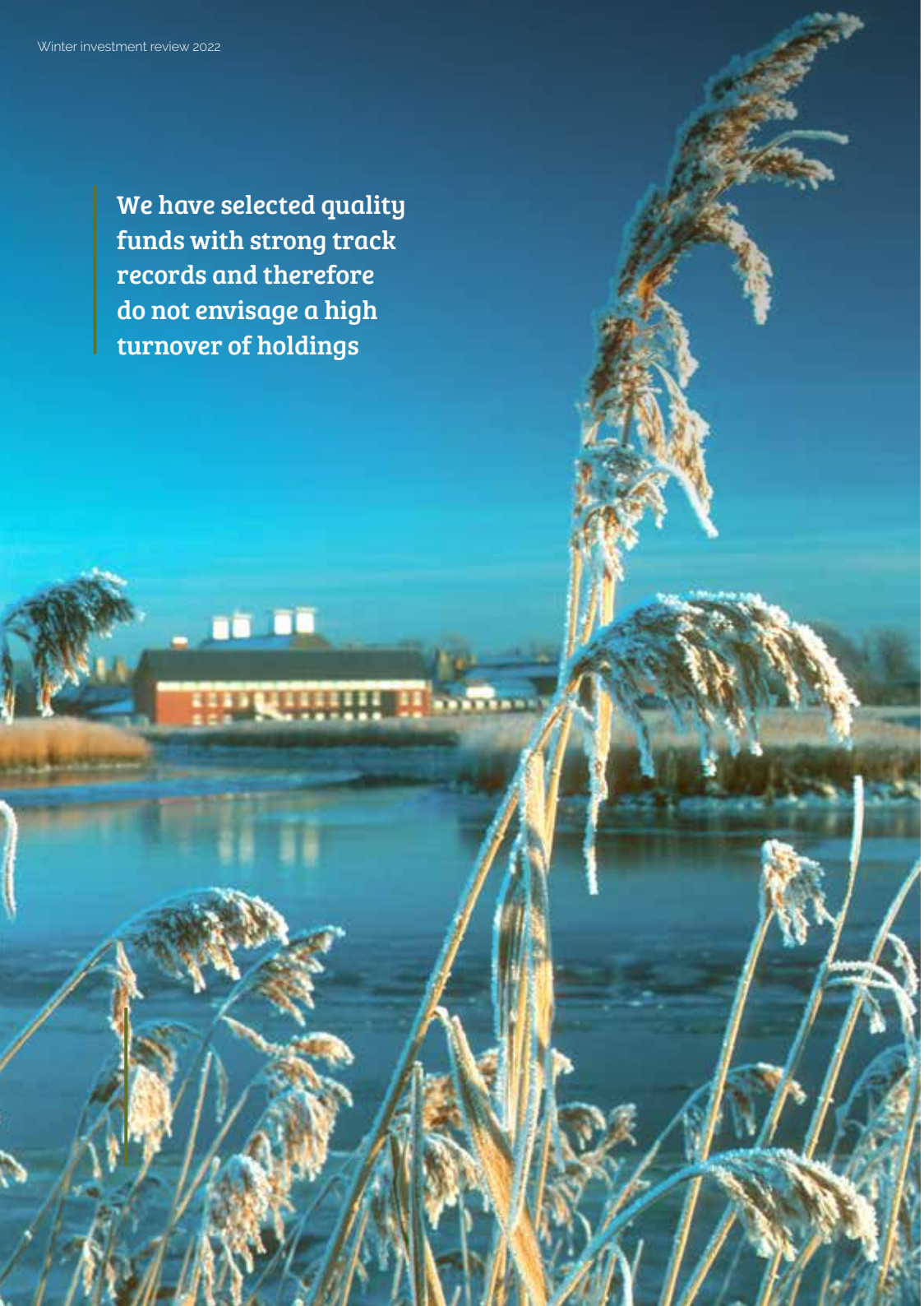
Risk vs return trade-off

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	43.29	14.71
B	Pearson Portfolio 5R Responsible Adventurous TR in GB	41.71	13.21
C	FTSE 100 TR in GB	41.51	11.87
D	Pearson Portfolio 4 Moderate/Adventurous – Transact TR in GB	38.28	11.12
E	Pearson Portfolio 4R Responsible ModAdv TR in GB	34.70	11.75
F	Pearson Portfolio 3 Moderate – Transact TR in GB	33.20	9.74
G	Pearson Portfolio 3R Responsible Moderate TR in GB	27.73	10.60
H	Pearson Portfolio 2 Cautious/Moderate – Transact TR in GB	26.85	8.36
I	Pearson Portfolio 2R Responsible Cautious Moderate TR in GB	22.49	8.11



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

Performance review

Ukraine and inflation are likely to dominate headlines for much of 2022, both offer considerable headwinds to investment for a while yet. But despite these setbacks, the future of global growth and sustainability will continue to evolve and develop as we ramp up our exit from oil and gas over time.

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:

- WHEB Sustainability
- Foresight Global Real Infrastructure
- ConBrio SDL UK Buffettology
- Baillie Gifford Global Discovery
- Fidelity Sustainable Asia

We have added the following funds where applicable:

- Polar Capital Smart Energy
- Royal London Sustainable Leaders Trust
- Foresight Sustainable Real Estate Securities

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 24 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 March 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.

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

Photo credits: Tony Pick Photography

Pearson Wealth Management Ltd

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

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

Broomfield Place, 189 Main Road,
Chelmsford, Essex, CM1 7DJ

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