



# 6 Month Investment Review #10



**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 10th 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.

As you may be aware, we decided to change the name of these brochures last summer and they are now being numbered. However, they will still cover the same time period as before. April to September and October to March.

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

[www.tonypickphotography.co.uk](http://www.tonypickphotography.co.uk)



# Market overview

April to end of September 2023

As the days get shorter and the light draws in, it might seem strange to start talking about 'light at the end of the tunnel'. The tunnel is of course central banks and interest rate rises, and the light – that there may just be a possibility that we have finally reached the end of interest rate rises. Both the UK and US elected for a pause in rate hikes in September and both have hinted that if inflation remains under control, we can continue at the rates we have for a short while – A Table Mountain as opposed to Matterhorn. Europe, which is always late to any party might be the exception.

Nobody could have imagined when central banks started to raise rates in late 2021 that records would be set on both sides of the Atlantic for consecutive hikes in rates. Indeed, most market commentators talked about inflation being transitory and nothing to be too concerned about. How differently things look today.

Despite everything equity markets have improved since the beginning of the year as it was evident the sell off last year was probably slightly overdone. However, this is not to say that things have improved, we still see substantial challenges ahead, not least various elections due to take place both here, Europe and in the US next year. In the bond markets all eyes have been on central banks and their message on interest rates. Initially, hope had been that we would start to see a loosening of the reins with rate cuts possibly by year end or early next year. Unfortunately, markets are now telling us this is not likely to happen until late 2024 or possibly early 2025.

So, where does this leave markets? Recession has been talked about for quite some time now and somehow so far, has been avoided. Any sign that a recession is imminent either here or in the US will likely mean that markets react negatively initially, but it could

then be the start of a potential rally in markets. Recession will undoubtedly put central banks under pressure to ease rates, but how quickly they do this is anybody's guess at present.

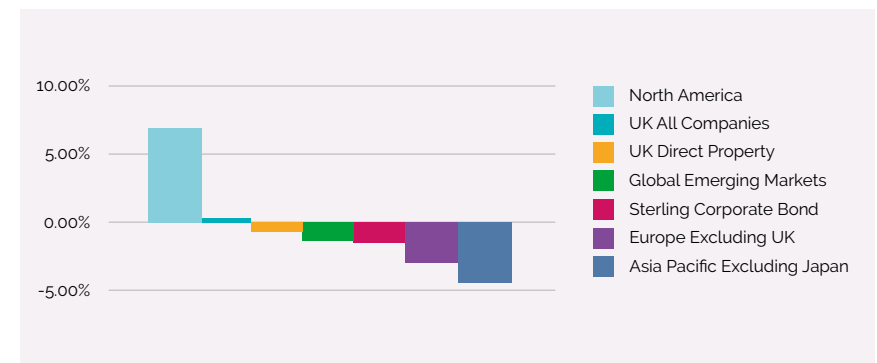
In the meantime, good quality companies have shown they are still able to operate under higher interest rates and inflation, and to date continue to surprise with robust profits and forecasts. These profits and forecasts may come under pressure further down the road as we head into winter, but for the time being we still feel comfortable holding equities within a balanced portfolio.

With regards to our responsible portfolios, these are still under pressure since they do not invest in fossil fuels and are made up of funds that invest in growth companies. Unfortunately, these are valued by the

market on future cash flows, which are negatively affected by interest rate rises. However, they are long term investments, comprising of companies that are well-placed to facilitate and benefit from a fairer, greener, and healthier future economy.

Earlier, we talked about elections and how this might affect markets going forward. In the US this is in November 2024, and in the UK will be no later than January 2025. Whilst these are still more than a year away, it would be unwise not to start watching out for signs as to how these might progress and the effects it could have on markets. You will probably hear a lot more about these events in our next update early next year.

## Key market performance April 2023 to September 2023



# Pearson portfolios – asset allocation

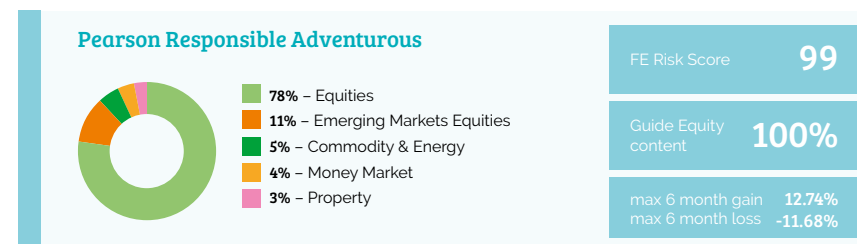
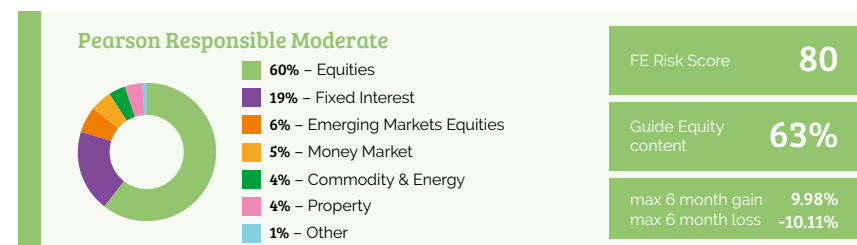
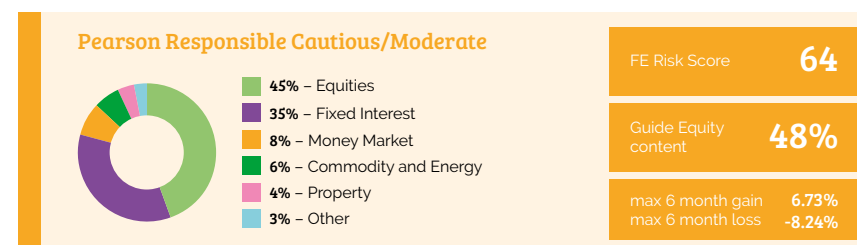
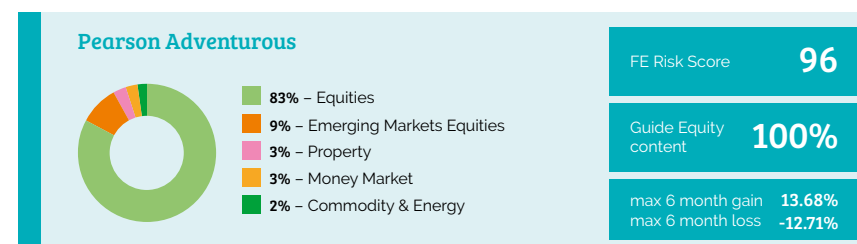
There are four Regular portfolios and four Responsible portfolios that can be invested in which are detailed below.

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.





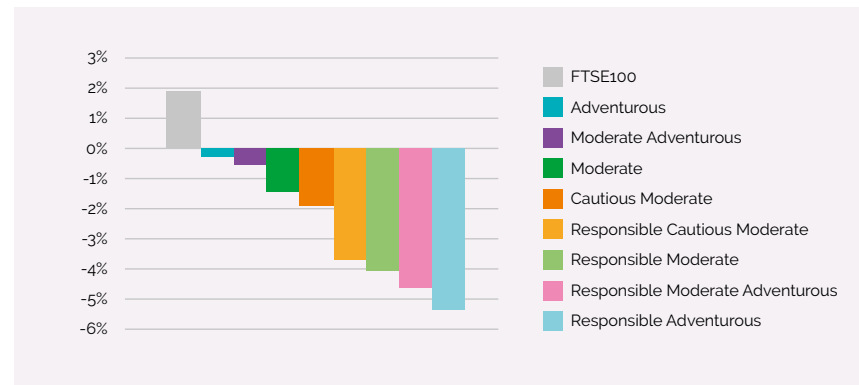
## 6 month performance

### April 2023 to September 2023

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).

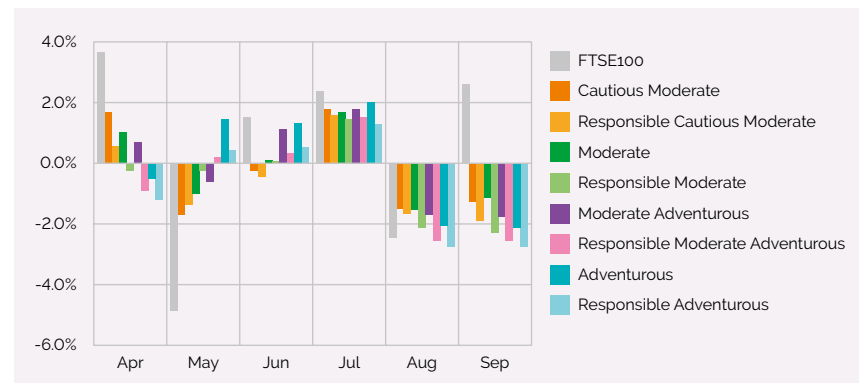
#### Cumulative performance – 6 Months

01/04/2023 to 30/09/2023



#### Discrete performance – 6 Months

01/04/2023 to 30/09/2023

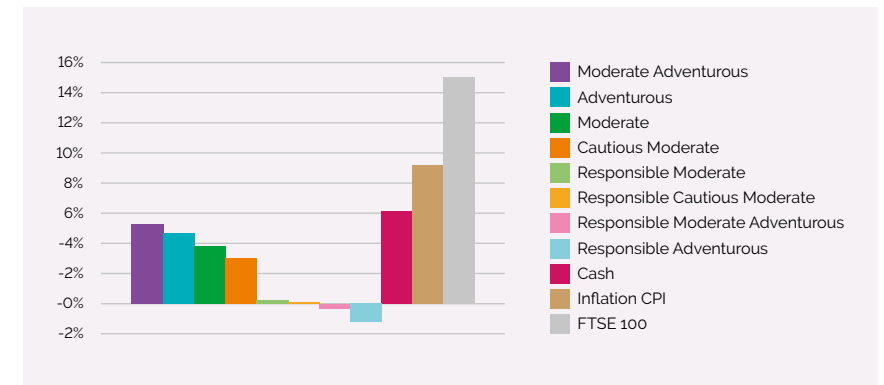


## Longer term performance

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).

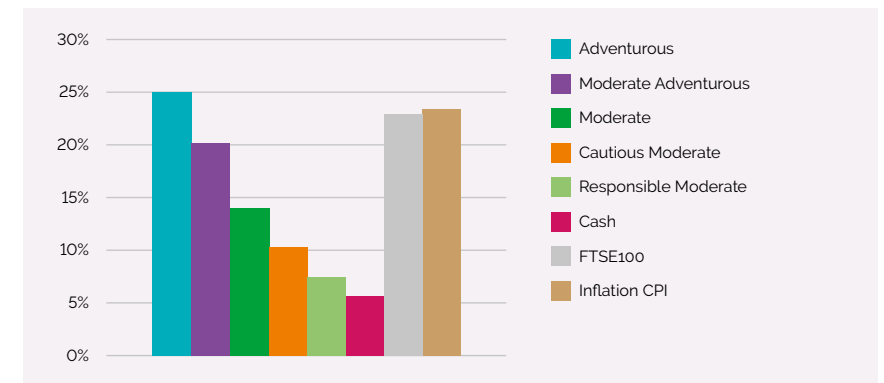
#### Pearson portfolio – 1 year

01/10/2022 to 30/09/2023



#### Pearson portfolio – 5 year

01/10/2018 to 30/09/2023

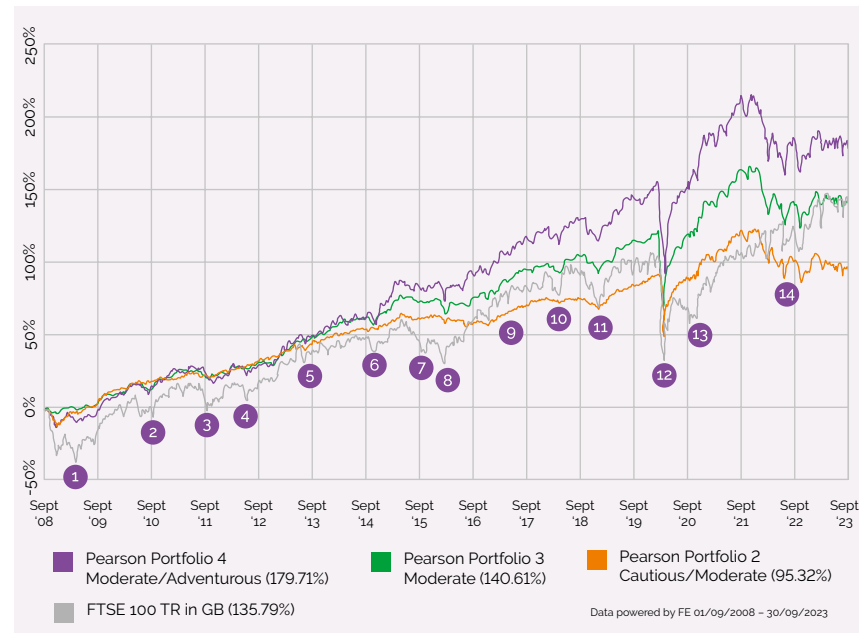






## Market Volatility 15 year performance context

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.

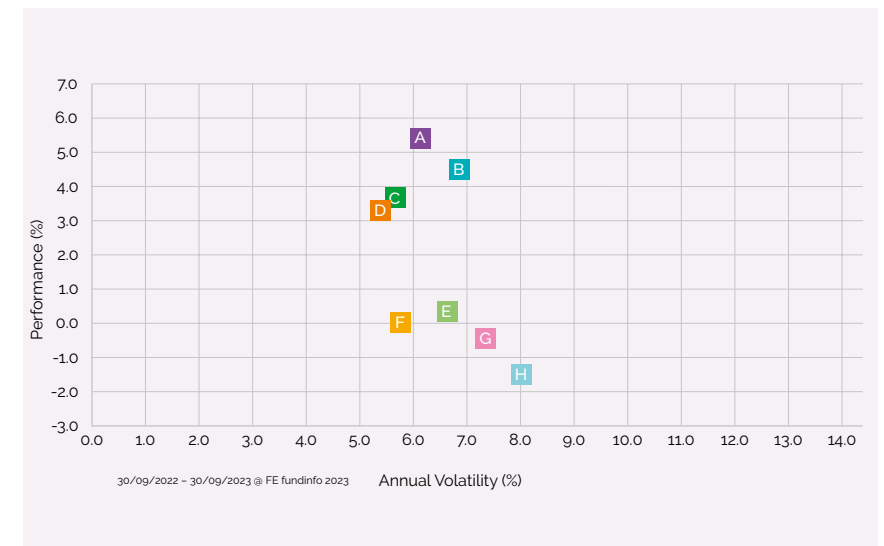


- 1 2008/2009 Lehman Brothers file for bankruptcy. HBOS and Lloyds in merger talks. Bank of England cuts interest rates to 0.5%. Greek debt crisis starts.
- 2 2010 Flash Crisis Dow Jones loses nearly 1000 points. US Debt.
- 3 2011 Volatile Markets plummet. Japanese earthquake.
- 4 2012 Spanish debt crisis.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

## 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	Pearson Portfolio 4 Moderate Adventurous – Transact TR in GB	5.31	6.03
B	Pearson Portfolio 5 Adventurous – Transact TR in GB	4.52	6.95
C	Pearson Portfolio 3 Moderate – Transact TR in GB	3.85	5.81
D	Pearson Portfolio 2 Cautious Moderate – Transact TR in GB	3.09	5.55
E	Pearson Portfolio 3R Responsible Moderate – TR in GB	0.25	6.60
F	Pearson Portfolio 2R Responsible Cau Mod – TR in GB	0.02	5.86
G	Pearson Portfolio 4R Responsible Mod Adv – TR in GB	-0.35	7.44
H	Pearson Portfolio 5R Responsible Adventurous – TR in GB	-1.51	8.02



## Performance review

Despite everything equity markets have improved since the beginning of the year as it was evident the sell off last year was probably slightly overdone. However, this is not to say that things have improved, we still see substantial challenges ahead.

### 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:

\*GAMStar Credit Opportunities.

We have added the following funds where applicable:

\*iShares 100 UK Equity Index

\*Heriot Global CCLA Better World Global Equity

\*Macquarie Sustainable Global Infrastructure

\*Heriot Smaller global Companies

\*VT DeLisle America

\*GAMStar Global Rates

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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