



# WISE FUNDS

## Investment Process

November 2022



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## Investment Team – Key individuals

Our team of managers combine their experience in Multi-Assets and bring together a strong track record.

### **Vincent Ropers Co-Portfolio Manager**

Vincent joined the Wise Funds team as Co-Portfolio Manager in April 2017. He started his career in 2004 and brings experience in multi-asset research and portfolio management, previously at Goldman Sachs, Fidelity International, Ignis Asset Management which became Standard Life Investments. He is a graduate from ESCP Europe in Paris and holds the Investment Management Certificate.

### **Philip Matthews Co-Portfolio Manager**

Philip joined the Wise Funds team in September 2018 as Co-portfolio manager. After graduating from Cambridge, Philip began his fund management career at Jupiter in 1999, spending 13 years managing retail and institutional equity portfolios. His portfolios focussed on income generation and he has experience investing into UK companies across the market cap spectrum. In 2013 he joined Schroders, where he managed their UK Alpha Plus portfolio and UK Growth Investment Trust.



WISE FUNDS  
Wise Funds Org Chart



## Investment Objective

### TB Wise Multi Asset Growth

The investment objective of the Fund is to provide capital growth over Rolling Periods of 5 years in excess of the Cboe UK All Companies Index and in line with or in excess of the Consumer Price Index, in each case after charges.

### TB Wise Multi-Asset Income

The investment objective of the Fund aims (after deduction of charges) to provide:

- an annual income in excess of 3%; and
- income and capital growth (after income distributions) at least in line with the Consumer Price Index (“CPI”), over Rolling Periods of 5 years

To read the full objective, investment policy and benchmark information, please see the [full prospectus](#).

## Investment Principles & Philosophy

The price of our funds fluctuates from one year to the next, but the process and the principles, which inform the management of the funds, do not change. Whilst our two funds do have different objectives (as stated above) they share a common approach and we believe our process works whether we are trying to deliver income or long-term capital growth.

Whether investing in equities, funds or investment trusts, we invest primarily in people. We don’t know what the future has in store, but we believe that we are best equipped to cope with it if we place our shareholders’ money in the hands of experienced people with expertise in their sectors, who we believe care deeply about the institutions they manage, and who are able to explain their plans to us in a clear and credible way.

We run our funds with a value bias, where we aim to invest at times when prices are significantly below our estimate of fair values, and, even though, our respect for the managers of our holdings doesn’t change, we will sell once the valuations rise to levels above their fair value. There will also be times where we access these holdings at fair value or slightly above, if we feel there is a strong reason to hold an asset class or we want exposure to a geographical, sector or a theme where we see potential growth.

We believe we can serve our shareholders best by adopting the widest possible investment remit, so that when certain asset classes become dangerously expensive, we have the best chance of finding value in others. This is why our funds are fully flexible, global funds.

We get to know our managers well, developing supportive, long-term working relationships. It is important for us to invest with managers we trust. We take our fiduciary role very seriously and spend a considerable amount of time assessing managers’ ability to grow our clients’ capital carefully for the long term.

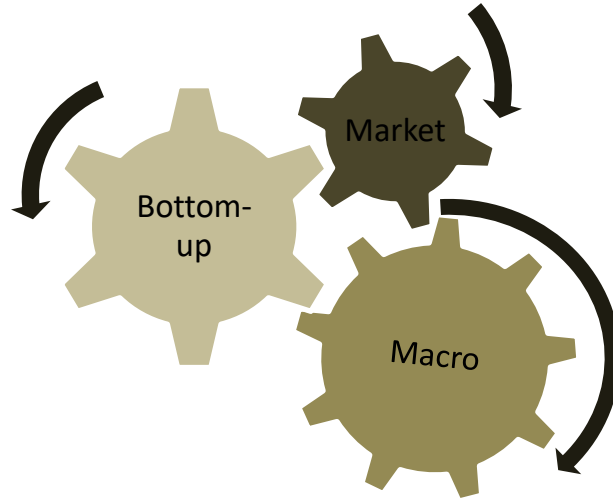
Whilst bottom-up manager and stock selection are the key elements in the investment process, we also spend time reviewing key global economic and market data to help frame current investment conditions. In addition, we receive third party economics and strategy research as well as benefit from discussions with our invested fund and company management teams.





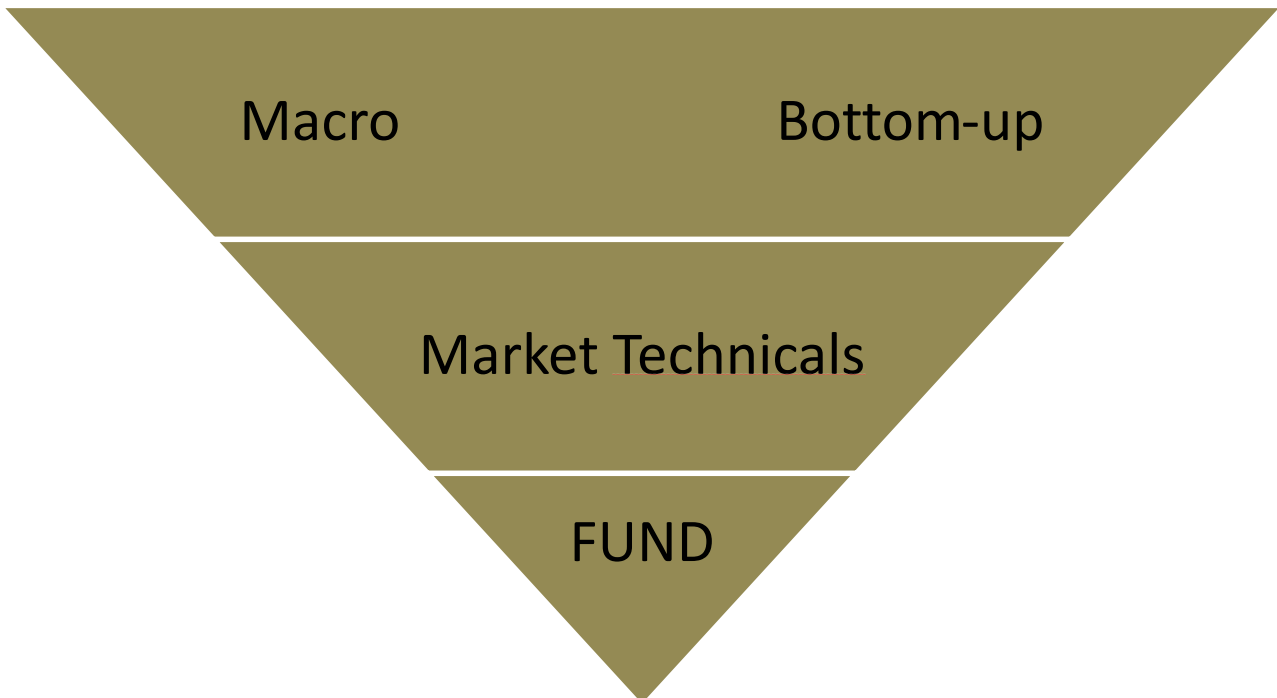
# WISE FUNDS

We believe that asset allocation is critical to superior long-term performance and that the interplay between macro and micro drivers is too often ignored by market participants, thus creating opportunities. Similarly, far from dismissing market dynamics and technical factors, we watch price action and flows carefully as they create attractive entry/exits points and help complete our view of the world.



## Investment Process

Our investment process is summarised in the diagram below: we filter our investable universe to put together a portfolio of our best and most promising ideas.





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Looking at each part of the process more in detail:

## Macro

- **Fundamental analysis of global asset classes under the prism of:**
  - ✓ Valuation
  - ✓ Growth
  - ✓ Inflation
  - ✓ Politics
  - ✓ Events
  - ✓ Sentiment

## Bottom-up

- **Fund managers or company research:**
  - ✓ Manager assessment
  - ✓ Asset class backdrop
  - ✓ Market knowledge
  - ✓ Industry trends
  - ✓ Competitors' analysis
  - ✓ Valuation analysis

Virtuous cycle whereby our macro analysis helps focus our bottom-up research which, in turns, feeds into our macro views.

## Market Technicals

We invest in public vehicles (funds, investment trusts or equities) which fluctuate in price.

These short term, sentiment and technical fluctuations offer challenges but we prefer to see them as potential opportunities. Market technicals are never enough on their own for us to take investment decisions but paying attention to them allows us to add value over time. This is why our fund managers execute their own trading and pay particular attention to technical analysis.

## FUND

We aim to construct a portfolio of best in breed fund managers and companies in asset classes that we expect will outperform the broad market over the medium to long-term

- Portfolio of 30-60 individual names
- Expression of our thematic views
- Employs the best people we know in their field
- Holdings offering significant upside to their current trading value

## Fund Selection Process in detail: what are we looking for?



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The process above has been designed to allow us to filter our investment universe and focus our research efforts on the most attractive parts of the market. When it comes to implementing our views, we invest in collective investment schemes (open-ended or closed-ended funds). We believe that it is critical to assess in detail the managers of the funds we look at. We are not biased towards any particular investment style but, over the years, have compiled the below list of attributes which are characteristic of a successful fund manager.

- Clearly articulated investment philosophy
- Well defined and repeatable investment process
- Open-mindedness
- Curiosity
- Focus
- Hunger
- Humility
- Supportive environment

If we can buy funds with exceptional managers at times when their sectors are unfashionable and their styles are out of favour, ideally through closed-ended funds at discounts to their asset values, it is our conviction that we will achieve our funds' objectives over time. Ultimately, we invest in people who we trust to grow our clients' assets.

Each meeting, with third party fund managers and company management teams, is logged on our team SharePoint site with the lead analyst's comments and rating attached. This is an easy way to share and keep a record of our meetings. These notes are then discussed during our weekly investment meeting below.

### Equity Selection process in detail: what are we looking for?

The process above has been designed to allow us to filter our investment universe and focus our research efforts on the most attractive parts of the market. We have the flexibility to invest in both direct equities and funds. When it comes to direct equities, we are looking for companies that can offer:

- A solid long-term business franchise: we like companies with an edge over their competitors, who are experts in their fields and are endlessly seeking to serve their customers better. These companies tend to sell differentiated products and services that their clients need.
- Dedicated and talented managers: as mentioned earlier, we believe that it is critical to spend time assessing the managements of companies and their ability to grow our clients' capital carefully for the long term
- Strong balance sheet: a strong balance sheet tells us that the company's managers understand that things can go wrong and have left a decent margin of safety in case they do. A company with a strong balance sheet is far more likely to be able to deliver its long-term strategy and not to be blown off-course by temporary disruptions.
- Valuation: rather than adopting a rigid approach to valuation, we take a pragmatic view and consider a number of factors. These include standard valuation metrics (Price-to-Earnings, Price-to-Book, Free cashflow yield...) as well as comparative sector analysis and technical analysis
- Yield: our yield and income growth objectives restrict our investable universe to companies that pay a dividend, which is normally higher than the market. The reason why we mention yield as our last criterion is because, although it is a necessary pre-condition for an investment, it isn't sufficient by itself and the above factors have to be met first before we consider investing.



We conduct our own in-depth assessment of every company we invest in. We often meet management on-site, which gives valuable insight into each company. We believe that this process differentiates us from some of our competitors who would rely purely on external research and/or only meet company management on roadshows. We are willing to invest in small and mid-cap companies which are often overlooked by larger institutional investors due to their size. This part of the market is fertile with opportunities as it tends to be less efficiently priced given the lower level of research coverage.

## Investment meetings

The investment team formally meets once a week to review the activity of the previous week, discuss investment ideas and prepare for the week ahead. This forum isn't meant to be an investment decision forum as we believe that the management of the fund must remain fluid and firmly in the hands of the portfolio managers, as opposed to committee-based and determined by artificial timelines.

A monthly performance pack is produced on each fund, allowing the team to analyse in more detail the progress of each of the fund's holdings over the previous month, and strategically review the composition of the fund.

### Weekly meeting agenda:

- *Macro issues of the week*
- *Previous week's performance*
- *Results/news flow over the week*
- *Upcoming results*
- *Previous week's meetings:*
  - *Lead analyst to present summary*
  - *Discussion*
- *Upcoming meetings:*
  - *Who are we meeting for the coming week?*
  - *Who will lead each meeting?*
  - *Meeting agenda*
- *Portfolio changes notifications or recommendations*
- *Voting*
  - *What holdings have a vote coming up?*
  - *How should we vote?*

### Monthly meeting agenda:

- *Review of the monthly macro-economic pack*
- *Performance review*
- *Attribution*
- *Individual holdings performance review*
- *Fund managers' monthly commentaries review*
- *Market review*
- *Asset allocation changes*
- *Long-term meetings planning*
- *Portfolio changes notifications or recommendations*





## Systems

The team uses a number of systems and contacts to conduct its research and the day-to-day management of the fund. Those are listed below:

System	Function
Factset	<ul style="list-style-type: none"> <li>• Market monitoring, news and charting</li> <li>• Portfolio performance monitoring</li> <li>• Portfolio attribution</li> <li>• Portfolio risk analysis</li> <li>• Funds research (returns and holdings-based)</li> </ul>
Financial Express	<ul style="list-style-type: none"> <li>• Performance analysis and charting</li> </ul>
Factset OMS	<ul style="list-style-type: none"> <li>• Order management system</li> <li>• Pre and post-trade compliance</li> </ul>
SharePoint	<ul style="list-style-type: none"> <li>• Meeting notes repository</li> <li>• Models repository</li> <li>• Fund commentaries repository</li> </ul>
Brokers	<ul style="list-style-type: none"> <li>• Investment ideas</li> <li>• Market colour</li> <li>• Meetings set-up</li> </ul>

## Day-to-Day management of the fund

The funds are co-managed by Vincent Ropers and Philip Matthews. Both combine the roles of fund managers and analysts, conducting research on collective investment schemes and equities themselves. We conduct our own trading using the order management system mentioned above (Factset OMS). Placing our own trades is an integral part of the process as we gain a lot of market information from this activity, particularly in the case of closed-ended funds, where news flow and liquidity can dramatically impact our entry/exit prices. The strong relationship that we have developed with our brokers are helpful in an illiquid market, where they can use their in-depth knowledge to source deals which may not be offered to the wider public.

## Portfolio construction

The funds are portfolios of best in breed fund managers and companies in asset classes that we expect to outperform the broad market over the medium to long-term. It is a blend of the themes we believe are important, our conviction levels and liquidity.

Other than the diversification rules we adhere to as a UCITS fund, we believe that the strength of our approach lies in its flexibility. We are benchmark agnostic and aren't afraid of taking concentrated positions when we have strong convictions in a particular asset class, theme or manager. We will not look for diversification per se in the funds, although we are always looking to express our views in a risk-controlled manner which may naturally lead us to holding diversifying positions.

Investment decisions are discussed by the team. In practice, an idea that isn't actively supported by both of the managers is most unlikely to make its way into the fund (or out of it in the case of the selling process).



This doesn't necessarily mean that a consensus always has to be reached, rather that each manager has to convince the other of the validity of an idea to ensure a minimum threshold is met. Once this is the case, it is our view that each fund manager ought to support the other's ideas as it encourages individual responsibility and ownership of the portfolio.

## Buying process

New ideas are formally discussed at either our weekly or monthly investment meetings. If a collective investment scheme or equity is "Buy" rated, it can make its way to the fund at any time. Valuation is critical in the managers' assessment and only assets that offer the most upside potential will be included. Price and market movements will be monitored by the fund managers to determine the best moment to add a new position. Often, we phase our moves into and out of positions over several weeks or months. As a final step, liquidity considerations will be considered to adjust the size of the position. Liquidity is reviewed at least on a monthly basis both internally and by our ACD T. Bailey Financial Services (TBFS).

Typically, no initial position will be taken at less than 1% although some flexibility can be permitted to build a position up.

## Selling process

Holdings can make their way out of the fund for several reasons:

- Change in theme
- Reduced conviction in manager / manager change
- Change in investment case
- Valuation
- Make space for more attractive positions

We believe that it is very important to actively manage portfolios. This means that we are stringent about cutting losses and are actively trimming our positions to take profits when appropriate.

## Risk management

The funds are managed within the UCITS and Coll guidelines, which ensures we respect a minimum diversification threshold and reduce counterparty risk.

In addition, the following risks are formally assessed on a regular basis:

- UCITS and Coll guidelines adherence: monitored by the ACD (TBFS) daily with any breach escalated to the investment managers and compliance officer
- Liquidity risk: formally assessed on a monthly basis internally and reviewed externally by our ACD (TBFS)
- Ex-ante risks: liquidity, concentration and ex-ante volatility monitored by the investment managers monthly at our monthly investment meetings
- Market risk: monitored daily by the investment managers
- Investment risks: underlying managers are formally met at least once a year, desktop holdings reviewed at least monthly, price action reviewed daily by the investment managers

## Derivatives





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The funds may invest in derivatives for the purpose of efficient portfolio management from time to time. As per our prospectus, the exposure must be fully “covered” by cash and/or other property sufficient to meet any obligation to pay or deliver that could arise. The exposure to any one counterparty in an OTC derivative transaction must not exceed 5% in value of the Scheme Property; this limit being raised to 10% where the counterparty is an approved bank.

To date, we have not used derivatives, preferring to express negative views on sectors and markets by avoiding them or by using cash

## Currency exposure

Most of our exposures in the funds will be UK listed so no FX hedging is required. As for our international open-ended funds exposure, part of our analysis involves taking a view on the underlying currency. We then decide which currency share class (hedged or not) is the most appropriate for the fund.

TO LEARN MORE ABOUT THIS FUND, PLEASE CONTACT  
01608 695 180 OR EMAIL [JOHN.NEWTON@WISE-FUNDS.CO.UK](mailto:JOHN.NEWTON@WISE-FUNDS.CO.UK)  
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## Important Information

Full details of the TB Wise Funds, including risk warnings, are published in the TB Wise Funds Prospectus, the TB Wise Supplementary Information Document (SID) and the TB Wise Key Investor Information Documents (KIIDs) which are available on request and at [www.wise-funds.co.uk](http://www.wise-funds.co.uk). The TB Wise Funds are subject to normal stock market fluctuations and other risks inherent in such investments. The value of your investment and the income derived from it can go down as well as up, and you may not get back the money you invested. Capital appreciation in the early years will be adversely affected by the impact of initial charges and you should therefore regard your investment as medium-to-long term. Every effort is taken to ensure the accuracy of the data used in this document but no warranties are given. Wise Funds Limited is authorised and regulated by the Financial Conduct Authority, No. 10397571. T. Bailey Fund Services Limited is authorised and regulated by the Financial Conduct Authority, No. 190293



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