

# Fund Review

Wise Funds

Wise Multi-Asset Income Fund

May 2023



WISE FUNDS

For professional advisers only

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# Defaqto Fund Reviews

This document is designed to provide the reader with a quantitative overview of the fund reviewed. The review then goes on to examine information of a more qualitative nature, which has been obtained through an interview process with the fund manager/s.

The qualitative information covers specific areas including the fund manager’s philosophy, their people, and the processes they employ. Additional information is also provided on their research capability, the resources they have at their disposal and how they manage risk. All of this information goes towards creating this comprehensive Fund Review.

## Defaqto Ratings

Ratings to help advisers and their clients make better informed decisions

The Defaqto experts have created a range of ratings to help advisers find the best product or proposition for their clients.



Show at a glance how a fund or fund family performs in comparison to the rest of the market.



Demonstrate the comprehensiveness of products across a range of areas, from pensions to DFMs.



An overall assessment of service – by advisers for advisers.

## Suitability ratings to support compliant advice

Defaqto have created a set of ten Risk Profiles, and four Income Risk Profiles with corresponding ratings to which funds are mapped using a robust process. This helps advisers to evidence suitability for their clients in both the accumulation and decumulation phase:



# Fund Review

Wise Funds  
Wise Multi-Asset Income Fund  
Jason Baran, CFA



## Executive summary



We endeavour to confirm the accuracy of the qualitative content of this document annually. The qualitative content for this review was last confirmed as accurate by Wise Funds on 24/04/2023.

The Wise Multi-Asset Income Fund is a global, multi-asset fund-of-funds that predominantly invests in other collective investments, both closed and open-ended funds, with emphasis on the former.

The fund was established in 2005 and has been run to virtually the same investment philosophy since inception (there was a minor update in 2020 to gradually remove direct equity exposures).

Wise Funds is an employee-owned business. The co-managers Vincent Ropers and Philip Matthews both have roughly 20 years investment experience each.

The fund has a slight-value tilt as the managers aim to invest in out-of-favour asset classes and funds, and utilize a long-term time horizon.

Investors should have a minimum 5 year time horizon.

The fund targets a minimum 3% yield, although in practice it

has achieved much higher than this. The yield target is set so that the managers aren't pushed to take on excessive risk to maintain yield.

The fund underwent a strategic review in 2020, and as a result is reducing its direct equity holdings with an aim to remove these entirely. Approximately 15% of the fund is direct equity (Dec 2022).

The fund's asset allocation data is provided by Morningstar which incorrectly shows a high allocation to the Other asset class. This is caused by the fund's exposure to alternative and infrastructure investments. We correct for this in the fund's risk rating.

The top 10 holdings has fund exposures domiciled outside of the UK. This indicates where the exposure is legally registered. The underlying holding's geographic exposure will differ and are made in accordance with the fund objective.

Wise have a detailed explanation of their fee calculations on their website, in particular the treatment of investment trust charges: <https://wise-funds.co.uk/our-funds/our-fees-explained>

## Investment objective

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. The Fund may have direct or indirect exposure to multiple asset classes. At any one time, between 40 – 85% of the Fund will be directly or indirectly exposed to equities. The balance of the Fund will be exposed, in any combination to

one or more of alternative asset classes, such as infrastructure, clean energy, commodities, property and private equity; fixed interest securities; money market instruments; deposits; cash and near cash. Exposure to alternative asset classes will always be indirect. Indirect exposure will be obtained through investments in closed-ended collective investment funds and open-ended collective investment schemes, which may include those

## About Wise Funds

Wise Funds are a 100% employee-owned multi-asset investment manager, founded in 1992 by Tony Yarrow, and based just outside Chipping Norton. The firm was initially set up as part of an advisory business, but was carved out into its own dedicated fund management firm in 2016.

The firm's AUM (Assets Under Management) was 172.6m as at end December 2022.

They manage two funds - the Multi-Asset Growth Fund and Multi-Asset Income Fund, which were launched in 2004 and 2005 respectively. Aside from some recent tweaks to the Income fund investment philosophy, both funds have been run to the same core principles and philosophy as at inception.

Wise Funds also provides a ongoing support to a handful of charities based around Oxfordshire.



# Quantitative review



The quantitative data that appears over the following pages has been generated by Defaqto using a combination of third-party and proprietary data sources and data provided by the asset manager. The information reflects the availability of data as at the dates highlighted.

All information reflects the investment solution specified in the information and classification table below.

## Fund information and classification

Launch date	03 October 2005	ISIN <sup>1</sup>	GB00B0LJ0160
Fund Manager	Vincent Ropers, Philip Matthews	IA sector	Mixed Investment 40-85% Shares
Domicile	GBR	Morningstar category <sup>2</sup>	GBP Allocation 60-80% Equity
Assets	Active	Defaqto Diamond Rating Type	Multi-Asset Income
Approach	Return Focused	Diamond Rating	-
Type	OEIC		

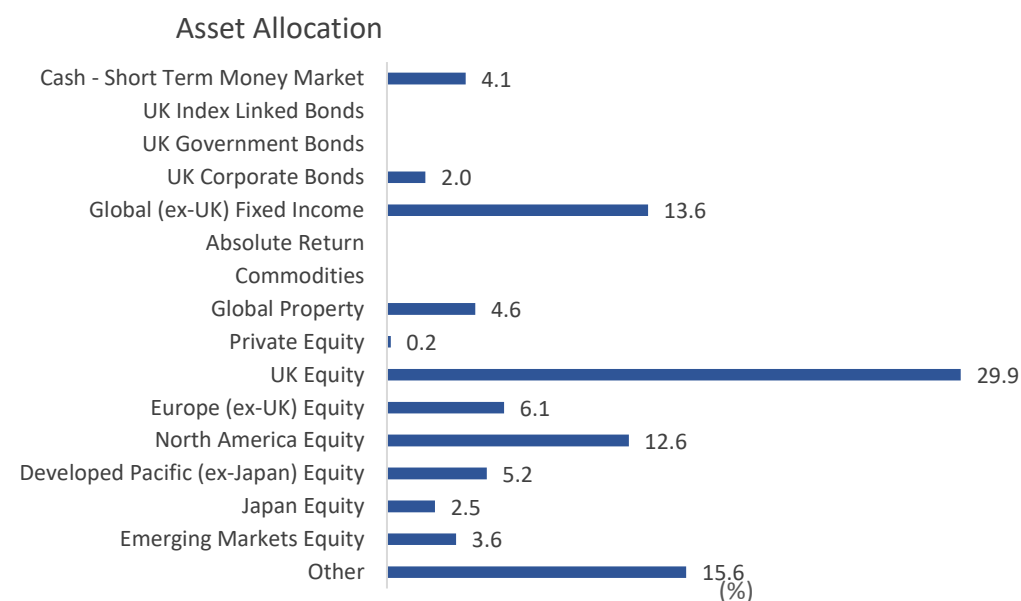
<sup>1</sup>This is the shareclass used for the quantitative data and analysis over the following pages

<sup>2</sup>The Morningstar Category is used in all comparative analysis, over the following pages.

## Fund size and fees

AUM	£84M
Date	31 March 2023
OCF Estimated	1.78%
OCF Actual	1.78%
Transaction Fee Actual	0.73%
Performance Fee (Yes/No)	No
Performance Fee Actual	n/a

## Asset allocation



Source: Morningstar, 09/05/2023

## Note

This asset allocation chart is drawn using the 16 asset classes (including 'other') that we use in Defaqto Engage.

This may differ slightly from the asset allocation described by the asset manager, due to various asset class roll-up and mapping variances.

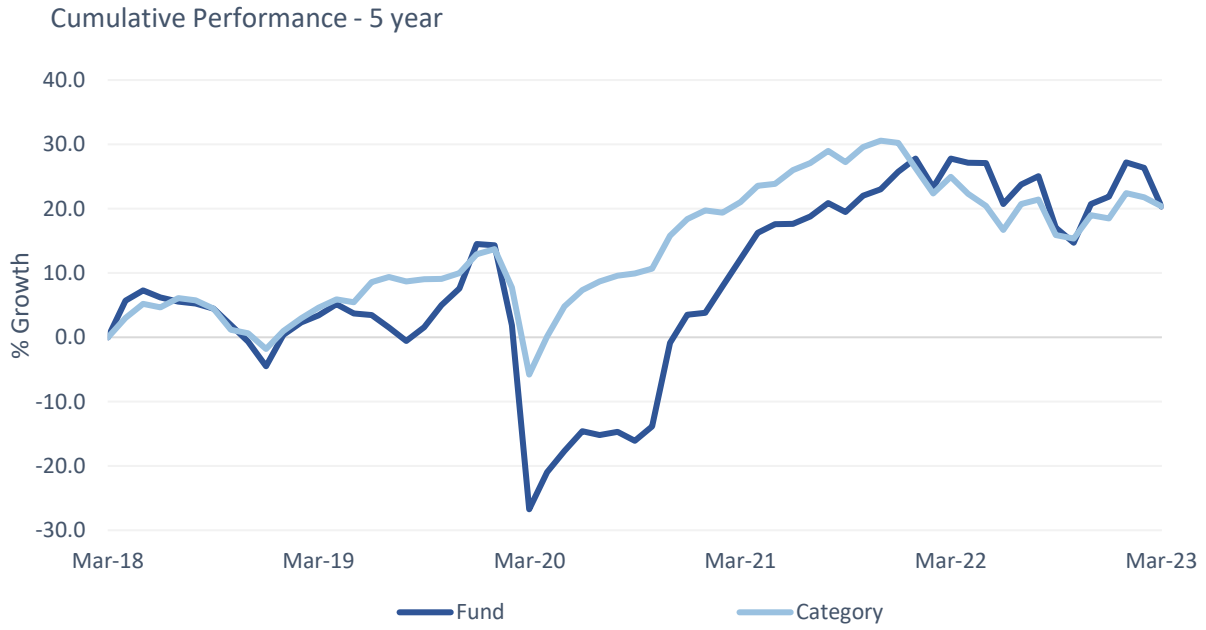
## Top 10 holdings

Total Number of Equity Holdings	7
Total Number of Bond Holdings	-
Assets in Top 10 Holdings (%)	47%

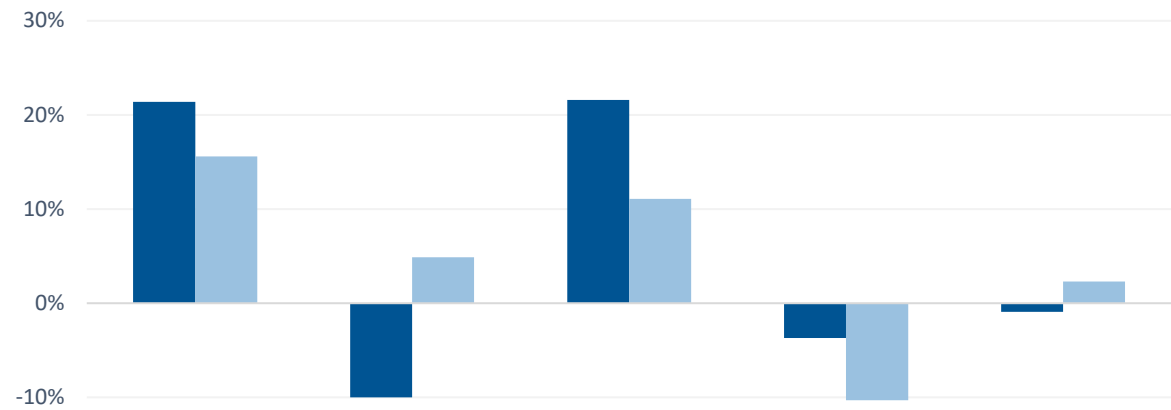
Name	Country	% of assets
Schroder Global Equity Income Z Inc	United Kingdom	5.4
Aberforth Smaller Companies Ord	United Kingdom	5.3
TwentyFour Income Ord	Guernsey	5.2
CT Private Equity Trust Ord	United Kingdom	5.0
Ediston Property Investment Company	United Kingdom	5.0
Vontobel TwentyFour StratInc AQG GBP	Luxembourg	4.6
BlackRock World Mining Trust Ord	United Kingdom	4.6
Legal & General Group PLC	United Kingdom	4.5
abrdn Property Income Trust Ord	Guernsey	3.9
BlackRock Energy and Resources Inc	United Kingdom	3.6

Source: Morningstar, 09/05/2023

# Performance



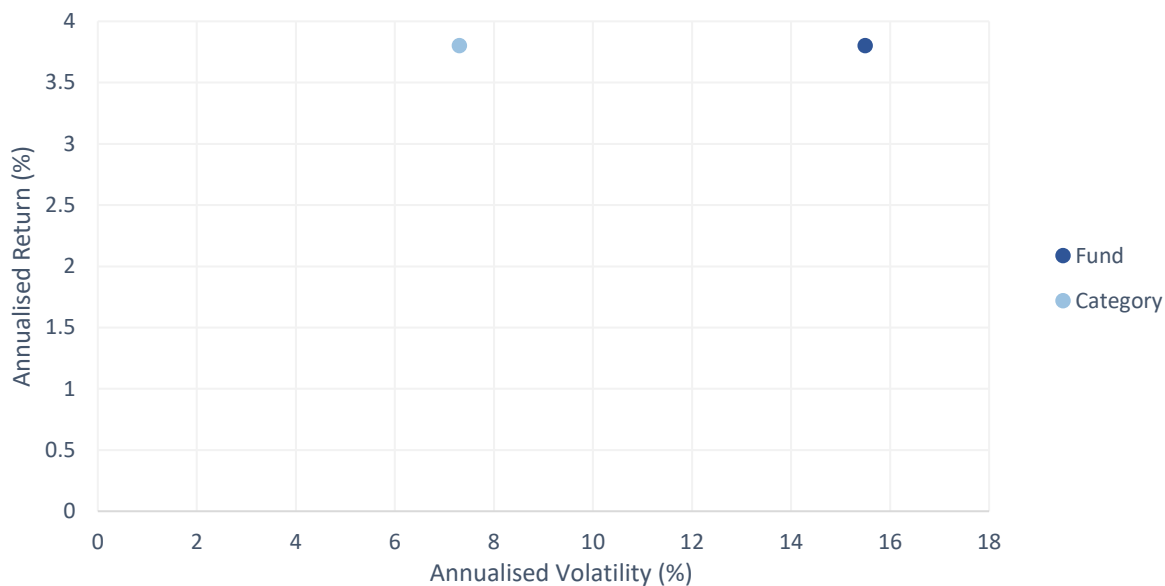
## Annual Performance



	Year 2019	Year 2020	Year 2021	Year 2022	Year 2023 to date
■ Fund	21.4%	-10.0%	21.6%	-3.7%	-0.9%
■ Category	15.6%	4.9%	11.1%	-10.3%	2.3%

## Risk

Risk vs Return- 5 year



Source: Morningstar, 31/03/2023

## Drawdown

Last 60 Months	
Max Drawdown	-44.0%
Positive Months	35
Negative Months	25
Worst Month	-24.5%

Source: Morningstar, 31/03/2023

## Liquidity

Days to liquidate holdings	% of portfolio
1 - 7 days	45.0
8 - 30 days	65.0
31 - 180 days	-
181 - 365 days	-
365+ days	-

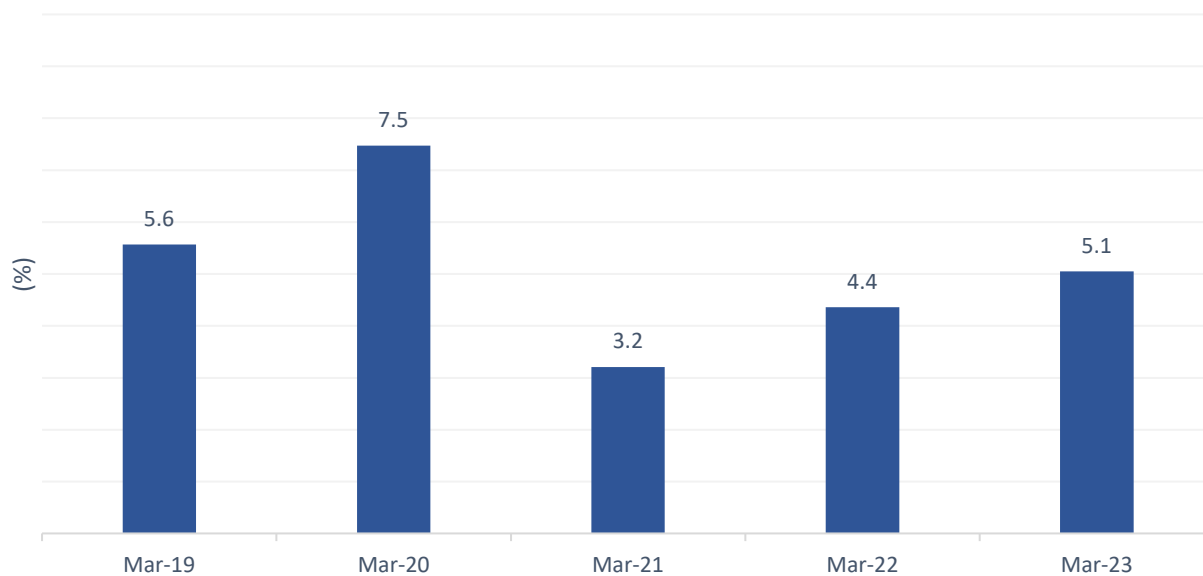
Source: Wise Funds, 14/03/2023



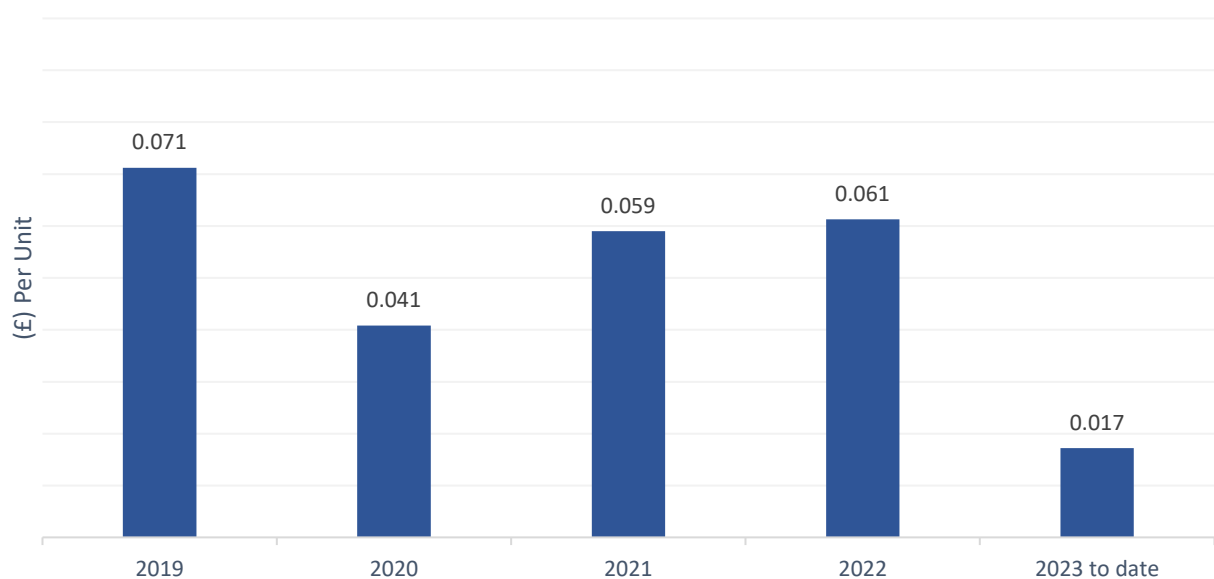
## Income and yield

Distribution Yield	5.1%
Distribution Frequency	Monthly

### Distribution Yield



### Pre Tax Income





## Philosophy

Vincent and Philip run these funds as flexible, multi-asset, fund-of-funds. The managers invest in both investment trusts and open-ended funds, with emphasis on the former.

The managers have a value bias and incorporate both top-down and bottom-up views. Generally they aim to invest in assets that are valued below their intrinsic value. This is assessed using a mixture of bottom up manager selection, and top down views gathered from their manager meetings, broker research and information obtained from trading.

They aim to generate returns over the long-term by incorporating a long-term view, and maintaining long-term relationships with the managers they invest in. Wise state foremost that they invest in people, and aim to invest with experienced managers who are responsible stewards of capital. Investors should have a 5 year investment horizon.

Both the Income and Growth funds are run to a very similar

philosophy, with the Income fund aiming to generate an income alongside capital growth from its investments. The Income fund aims for a minimum 3% yield in its objective. The fund frequently achieves a yield greater than this, but the managers wish to avoid unduly increasing the risk exposure of the fund in a low yield environment.

The Income fund currently holds direct equity investments, however, since a strategic review in 2020, these are being wound down when valuations permit with an aim to remove entirely. The Growth fund only contains investments in collectives.

While turnover is not aimed for explicitly, the funds have low turnover in the region of 15%. The income fund currently shows turnover around 30%, but this is a consequence of the strategic review mentioned above and selling down of direct equity investments.

## People

### 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, and 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.

He started his career at Jupiter in 1999, during this period he has managed 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.

### John Newton, Business Development & Compliance Manager

John joined the Wise Funds team in November 2015 as the business development manager.

John started his investment career in 2004, accumulating experience from HSBC Asset Management and BNY Mellon where he gained sales experience working with both direct and intermediaries including independent financial advisers and fund selectors.



WISE FUNDS

Wise Funds Org Chart



## Process

Vincent and Philip utilise a flexible investment process that draws in their top-down macro views, bottom-up manager selection and shorter-term technical views. The managers aim to take advantage of their small size to remain nimble and responsive to investment opportunities.

Their analysis of macro views is comprised across a range of factors, including valuations and yields, growth, inflation, politics, events/catalysts and sentiment. Bottom-up analysis of managers comprises manager assessment, asset class backdrop, market knowledge, industry trends and competitor analysis. Over the last year Vincent and Philip conducted approximately 140 manager visits and company engagements for the fund. One benefit of the covid-19 pandemic is that almost all manager meetings can now be conducted remotely, so manager access is now improved.

The fund's value bias and contrarian investment philosophy is built into the investment process by consideration of long-term views and manager relationships, and analysis of sentiment and investment flows to identify assets and investment themes that are out of favour.

Vincent and Philip conduct their own trades, which allows a further insight into short-term sentiment and investment flows. As it was phrased in our meeting, this enables them to "see clusters of value as they emerge." As a result, they will add or trim their long-term investment trust holdings based on this information and current discounts/premiums in the market. However, it should also be noted that if a high conviction investment view is held on a particular asset class, and their favoured investment trust is trading at a small premium, this won't necessarily prevent the managers from investing.

Positions are typically built over time, with an initial 1% weighting that may eventually grow into 5-6% based on the conviction of the holding. Liquidity risks are also taken into

account when building a position and the managers monitor how long it might take to sell a position based upon 30% of an investment's daily trading volume.

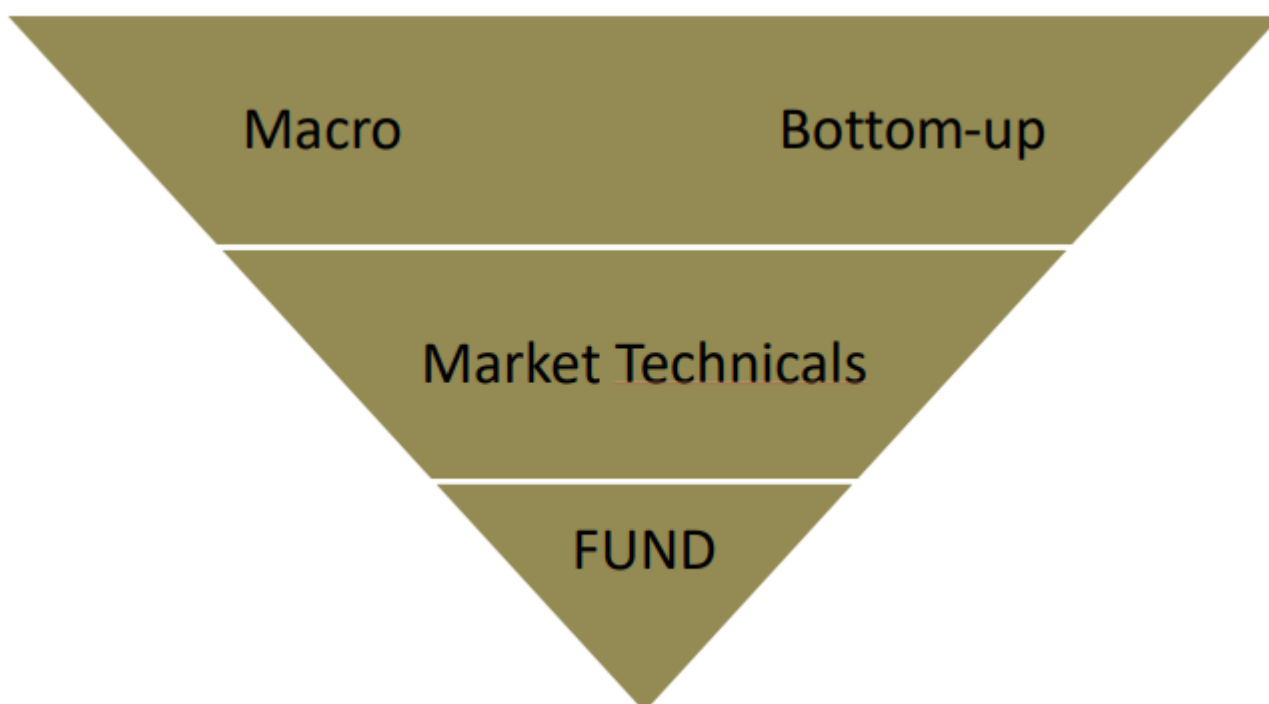
Diversification is used as part of portfolio construction and to ensure a consistent dividend from the fund. Both the Income and Growth funds aim to have roughly 30-40 holdings, and roughly 40% of commonality between the two.

While the Income fund holds some direct equity, these are in the process of being sold off when market valuations are appropriate. This reduction is the result of a strategic review the fund managers undertook in 2020. For the remaining direct holdings, these are analysed using the same philosophy as the funds collective positions. Namely, holding onto talented managers, in businesses with a strong franchise, with strong balance sheets, sensible valuations and robust yield.

Formally, the managers conduct a weekly meeting to discuss fund performance and their investment views and a broader monthly meeting.

The weekly meeting will include a review of the macro-economics and market events of the week, an analysis of the contributors to performance, a recap of any manager meetings conducted, a schedule of upcoming meetings and voting.

For the monthly meeting, a performance pack is produced for each fund, with individual fund holdings and performance attribution discussed in more detail. Broad asset allocation changes are also discussed helped by a macro-economics analysis, as well as updates on valuations, positioning data and investment flows.



## Risk management

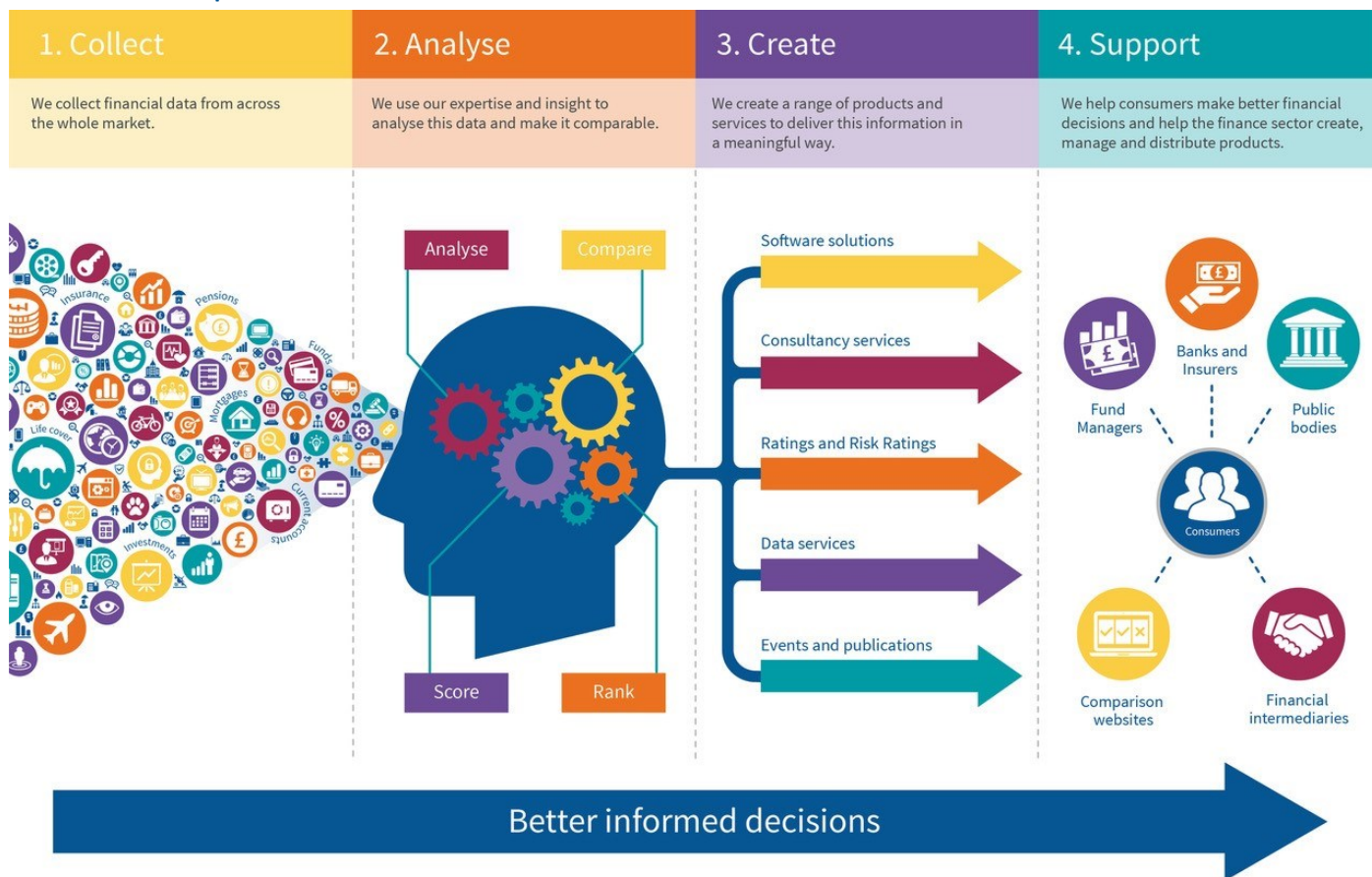
Risk is seen as the permanent loss of capital, rather than focusing on an individual metric such as volatility or VaR. In particular, during times of high volatility the managers stated they find the most attractive valuations and investment opportunities.

Given the small investment team, the risk management process is primarily conducted by Vincent and Philip. Firstly the managers conduct pre-trade analysis as part of their investment thesis, secondly with further review at their weekly meeting, and finally a more in-depth ex-post analysis undertaken at the monthly meeting.

Liquidity risk is considered on an ongoing basis (see Process above), and the managers won't invest in an investment vehicle that is inappropriate for the underlying asset. For example, the funds won't ever invest in direct property or infrastructure via an open-ended fund.

FactSet and Financial Express software is used to support the managers' risk analysis.

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