

FP MATTIOLI WOODS
UK DYNAMIC FUND

MATTIOLI WOODS
FUNDS

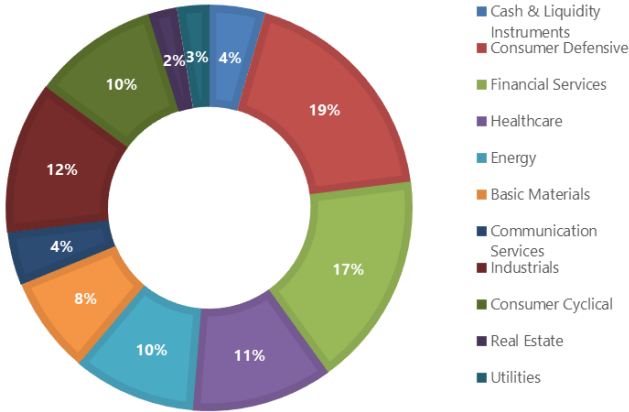
FUND AIM

The Fund aims to achieve capital growth (the increase in value of investments) and income (money paid out through the payment of dividends) by the active management of a portfolio of UK shares over an investment term in excess of five years.

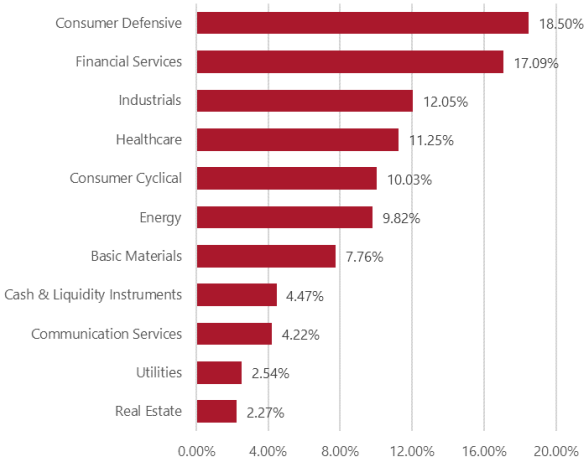
INVESTMENT PHILOSOPHY

The Fund aims to achieve its objective by investing directly in UK shares. At least 90% of these will be UK-listed shares in companies with market capitalisations in excess of £500 million. The remaining 10% can be invested in UK-listed smaller companies, which have market capitalisations below £500 million but which the Investment Manager believes will grow to in excess of £500 million in the future. The Investment Manager expects that the Fund will invest in 30 to 45 individual equities, across a range of different sectors.

ASSET ALLOCATION



FUND COMPOSITION



Due to rounding, figures above may not equal 100%

TOP TEN HOLDINGS as at 29.02.2024

| Holding | Percentage |
|-----------------------|------------|
| GlaxoSmithKline plc | 5.05% |
| Shell plc | 4.36% |
| Unilever plc | 3.68% |
| BP plc | 3.58% |
| AstraZeneca plc | 3.45% |
| QinetiQ Group plc | 3.36% |
| Aviva plc | 3.28% |
| Breedon Group Ord Shs | 3.28% |
| Barclays PLC | 2.98% |
| Smith & Nephew plc | 2.75% |

FUND DETAILS

| | |
|---------------------------|-----------------------------------|
| Fund managers: | Jonathon Marchant |
| Fund size: | £38.06 million |
| No. of holdings: | 38 |
| Sector: | IA UK All Companies |
| Benchmark: | MSCI United Kingdom All Cap Index |
| Distribution policy: | Half-yearly |
| Payment dates: | March and September |
| XD date: | February and August |
| Launch date: | September 2023 |
| Legal structure: | Non-UCITS Retail Scheme |
| Reporting date (annual): | 31 July |
| Reporting date (interim): | 31 January |
| Base currency: | Sterling |
| Valuation point: | 12:00 midday daily |
| ISA eligible: | Yes |

| | |
|-----------------------------------|--------------|
| Ongoing charges figure (% p.a.) | |
| B Income | 0.60% |
| Annual management charge (% p.a.) | |
| B Income | 0.60% |
| Initial fee | 0.00% |
| ISIN | |
| B Income | GB00BMF9P118 |
| SEDOL | |
| B Income | BMF9P11 |

FUND PERFORMANCE/ CUMULATIVE PERFORMANCE/ ANNUAL PERFORMANCE as at 31.01.2024

Past performance data will not be published until the Fund has been running for a full 12 months

FUND MANAGER COMMENTARY

MARKET REVIEW

Like most other markets, UK equities continue to be driven by inflation and interest rates. Towards the start of the month, the Governor of the Bank of England had signalled that inflation does not need to fall to 2% before rate cuts would be considered. News that the UK has entered a technical recession (i.e. two successive quarters of GDP contraction) supported the thesis that we could be returning to a lower rate environment sooner rather than later.

FUND REVIEW

The Fund delivered negative performance of -0.90% over the month, which was behind the benchmark (+0.39%). From a reporting perspective, it was the banks that stole the headlines in February. While results from Barclays and Standard Chartered fell short of analyst estimates in some areas, what really caught the eye was the size of potential capital distributions in the coming years. Indeed, Barclays announced it expected to give £10bn back to shareholders by way of dividends and share buybacks by 2026, which is staggering considering the business was valued at around £22bn at the time of the announcement. Standard Chartered, also guided a healthy distribution figure and prices reacted positively as a result. While most UK-listed banks are trading materially below the value of their net assets, Barclays and Standard Chartered possess some of the most extreme discounts in the sector and we continue to see potential for income and capital appreciation. While on the subject of banks, Tesco decided to sell theirs over the period, to Barclays. The move had been rumoured for some time and makes strategic sense, removing £6.7bn of financial liabilities from the balance sheet and bringing in total proceeds of around £1bn. The deal helps fund more share buybacks and should help to simplify the investment case for Tesco. From Barclay's perspective, the deal helps to grow their footprint in the UK and is marginally accretive to earnings per share. Having only reported recently, we were particularly disappointed to see Halfords issue another profit warning. Management claims this was caused by the weather, but the warning raises more questions over the visibility that management has of earnings, despite the move to seemingly less seasonal areas like car tyres and servicing. The market was also unimpressed with Reckitt Benckiser, which produced disappointing sales numbers and referenced issues with employees in their Middle Eastern underreporting liabilities, an issue they claim to be isolated. Both Halfords and Reckitt Benckiser were key contributors to this month's underperformance. Unilever put in a much better display and was able to show volume growth, something the market had been questioning for some time. Equally, profit margins appeared to expand and, while it is early days, the new CEO's changes appear to be gaining traction.

ACTIVITY

We used inflows to add to a number of positions over the month, including Barclays, Standard Chartered, BT, and IMI. Towards the end of the month, we added a new position in Weir Group. The business focuses on engineering and technological solutions for the mining industry. This includes the sale equipment for the excavation and processing of minerals. Weir derives a significant amount of profitability from the sale of aftermarket components, at attractive margins and good visibility over demand. Having restructured the business in recent years and exited their more cyclical oil and gas business, we believe that Weir has the potential to compound earnings at an attractive rate and trade on a higher valuation multiple in the future.

RISK WARNINGS

- **Past performance is not a guide to future returns.**
- **The value of investments and the income from them can fall as well as rise, and you may not get back the amount invested.**
- **For funds investing globally, currency exchange rate fluctuations may have a positive or negative impact on the value of your investments.**
- **Changes in interest rates will affect the value of, and the interest earned from, bonds held by the Fund. When interest rates rise, the capital value of the Fund is likely to fall and vice versa.**
- **Investment trusts can borrow money that can then be used to make further investments. In a rising market, this 'gearing' can enhance returns to shareholders. However, if the market falls, losses will be multiplied.**
- **The Fund does not use derivatives extensively, although it may use them in an attempt to reduce risk, reduce costs and to generate additional income. Investing in derivatives carries the risk of reduced liquidity, substantial loss and increased volatility in adverse market conditions. Derivatives may expose the Fund to credit risks of counterparties, who may not meet payment obligations. The use of derivatives may result in the Fund being leveraged (where economic exposure and thus the potential for loss by the Fund exceeds the amount it has invested), and in these market conditions the effect of leverage will magnify losses.**
- **This document is issued by Mattioli Woods plc and should be read in conjunction with the Fund's Supplementary Information Document. A list of risk factors is detailed in the Supplementary Information Document, and an investment should not be contemplated until the risks are considered fully. Current tax levels and relief are liable to change, and their value will depend on an individual investor's circumstances. If you are unsure about any information contained within this document, you should take financial advice.**