28 FEBRUARY 2021

MATTIOLI WOODS FUNDS

FP MATTIOLI WOODS CAUTIOUS

FUND MANAGER COMMENTARY

MARKET REVIEW

Equity markets survived a late scare to deliver a positive return over the month. In a trend established in the fourth quarter of last year, we continue to see more cyclical sectors, such as energy and banks, outperforming. Markets are pricing in an economic recovery during 2021 and the beneficiaries of re-opening are leading the charge. Though we are seeing short bouts of volatility, as the pace of that re-opening is tested, the overall trajectory continues to favour areas that were distinctly out of favour through most of 2020. Work-from-home type stocks, particularly in the internet sector where valuations are more extreme, were negatively impacted as government bond yields moved sharply upwards in late February. Yields have been rising this year, reflecting a more positive outlook, but the move was rapid, perhaps reflecting heightened inflationary concerns that stem from the vast $1.9 trillion stimulus package proposed by US President, Joe Biden. These pressures unsettled financial markets that have grown accustomed to the loose monetary policy which has characterised the pandemic response. The idea of policy tightening pushed yields higher and impacted equities - if yields rise to a point at which they no longer deliver a negative real return they clearly become a more attractive investment. This led to an equity sell-off which was more marked in the technology space and defensive sectors such as utilities, the latter traditionally categorised as bond proxies. Oil prices continue to rise, as do broader metals, in anticipation of economic growth and increased fiscal spend. We will certainly see some inflationary pressures, as last year's oil price fall washes out of the data but whether inflation becomes more entrenched is debatable and this may not become clear until we better understand how governments intend to deal with excess labour market capacity.

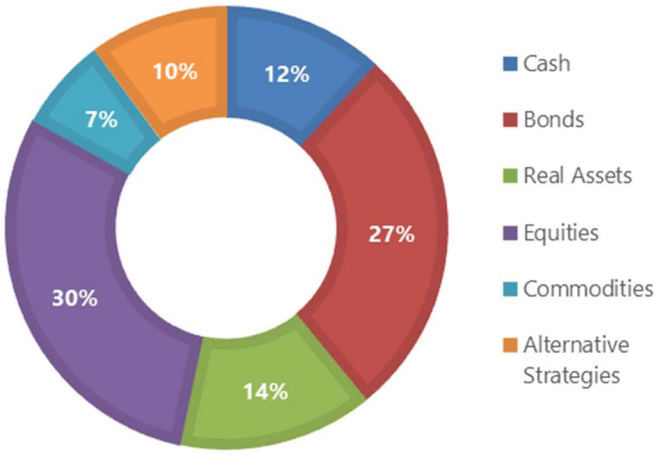
FUND REVIEW

Marginally negative performance, putting us slightly behind the benchmark for the month. While we received positive contributions from holdings in the Commercial Property space and Global Insurance equities, positions in US Treasuries and Physical Gold detracted significantly from overall return. A sharp rise in bond yields at the end of the month harmed both, with spill-over into our Investment Grade credit allocation. The potential for the substantial global quantitative easing programs to be tapered earlier than expected was a negative for assets which have been immediate beneficiaries, such as high-quality bonds. Elsewhere there was positive performance in the UK equity space. Investors have started to re-engage in what have long been undervalued and undesirable assets. This follows the resolution of a trade-deal with the EU and what, so far, has been a visibly successful vaccination program. Optimism around UK assets is driving further price recovery in the Commercial Property space, with notable increases in dividend payments being announced by some of the trusts we hold.

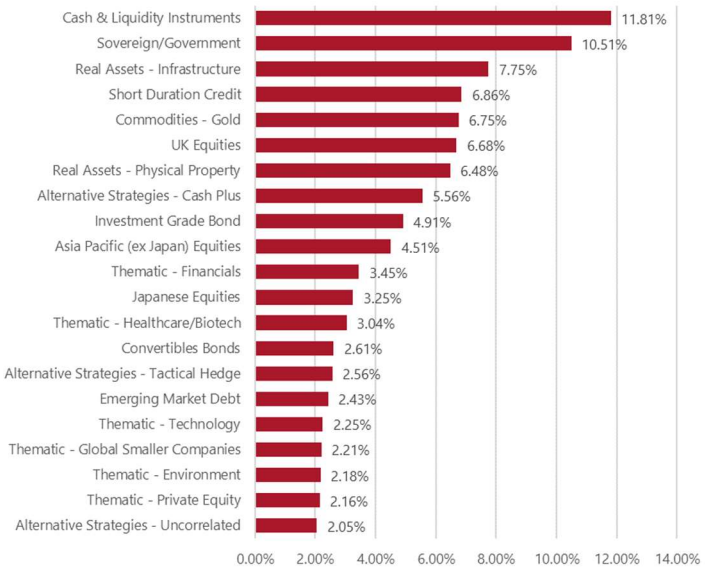
ACTIVITY

Following last month's asset allocation change we completed an initial purchase into the Jupiter Global Convertibles fund. Managed by the highly experienced Lee Manzi, this fund is well positioned to capitalise from a cyclical recovery via exposure to the bonds of more value-orientated issuers. The addition of convertible bonds broadly represents a measured increase in overall portfolio risk levels. This move continues with two further asset allocation changes. The first is a reduction in our Physical Gold holding, with the proceeds reallocated into Gold & Precious Metals equities. Additionally, we reduced exposure to Uncorrelated vehicles in the Alternatives space, with the proceeds used to increase our Global Smaller Companies exposure. We are in the process of finalising the deals that have resulted from asset allocation changes and will provide further details next month. Elsewhere we sold our holding in the passively managed iShares J.P. Morgan $ EM Bond ETF, consolidating our entire Emerging Market Debt exposure into the active Barings Emerging Markets Sovereign Debt Fund.

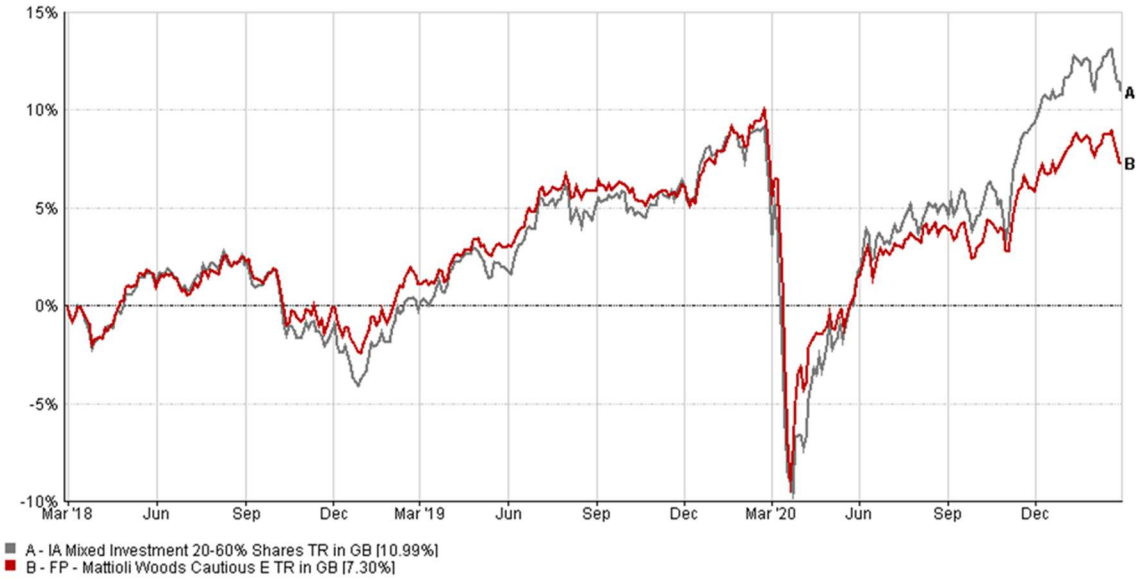
ASSET ALLOCATION



FUND COMPOSITION



FUND PERFORMANCE



28/02/2018 - 26/02/2021 Data from FE fundinfo2021

CUMULATIVE PERFORMANCE as at 28.02.2021

	1 Month	3 Months	6 Months	1 Year	3 Years
Fund	-0.27	1.37	3.12	0.73	7.30
Benchmark	0.00	1.59	5.81	6.66	11.42

Performance Data: Share Class E Inc

ANNUAL PERFORMANCE

	2020	2019	2018	2017	2016
Fund	0.45	10.05	-3.83	NA	NA
Benchmark	3.50	12.21	-5.11	7.19	10.80

Performance Data: Share Class E Inc

RISK METRICS as at 28.02.2021

	3 Years
Annual Volatility	8.29%
Maximum Drawdown	-9.47
Sharpe Ratio	0.15

Metrics annualised over three years for Share Class E Inc

TOP TEN HOLDINGS as at 28.02.2021

Holding	Percentage
JPM Betabuilders US Treasury Bond UCITS ETF - GBP Hedged	7.53%
L&G Short Dated Sterling Corporate Bond Index C Inc	6.86%
iShares Physical Gold ETC GBP	6.75%
Allianz Fixed Income Macro E Acc	5.56%
Schroder Asian Income L Inc	4.51%
Franklin UK Equity Income W Inc	3.68%
Polar Capital Global Insurance I Inc GBP	3.45%
Polar Capital Healthcare Opportunities I Inc	3.04%
Chelverton UK Equity Income B Inc	3.01%
iShares $ Treasury Bond 7-10 Years UCITS ETF GBP Hedged (Dist)	2.98%

FUND CHARGES

	B	C	D	E
Ongoing charges figure (% p.a.)	1.03%	0.53%	1.28%	1.63%
Annual management charge (% p.a.)	0.65%	0.15%	0.90%	1.25%
Initial fee	0.00%	0.00%	0.00%	0.00%

FUND CODES

	ISIN	SEDOL
B Inc	GB00BZCN8C92	BZCN8C9
C Inc	GB00BZCN8D00	BZCN8D0
D Inc	GB00BZCN8F24	BZCN8F2
E Inc	GB00BZCN8G31	BZCN8G3

FUND AIM

The investment objective of the fund is to preserve capital and generate income and capital growth over the long term.

INVESTMENT PHILOSOPHY

This fund uses a global multi-asset approach to deliver its aim of generating long-term capital growth. The managers will achieve this aim by utilising passive and actively managed solutions, while closely managing volatility. The asset allocation of the fund will be managed in line with guidance provided by the Mattioli Woods Asset Allocation Committee, ensuring diversity of assets.

FUND DETAILS

Fund managers:	Ian Goodchild and Mark Moore
Fund size:	£237.45 million
No. of holdings:	36
Sector:	IA Flexible Investment
Benchmark:	IA Mixed Investments 20-60% Shares
Distribution policy:	Half-yearly
Payment dates:	March and September
XD date:	February and August
Launch date:	31 July 2017
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

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 Simplified Prospectus. A list of risk factors is detailed in the Simplified Prospectus, 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 individual investors' circumstances. If you are unsure about any information contained within this document, you should take financial advice.**

Sources: FE Fundinfo and Refinitiv Datastream