31 MARCH 2021

FP MATTIOLI WOODS CAUTIOUS

MATTIOLI WOODS FUNDS

FUND MANAGER COMMENTARY

MARKET REVIEW

Equity markets capped a solid first quarter, notching up further gains in March. We have now witnessed a full year's recovery from the depths of the pandemic induced correction, with some impressive one-year returns since the bottoming of markets. As noted in previous months, much of the current outperformance is coming from more cyclically exposed sectors. Anticipation of economic re-opening, particularly in the US and the UK where vaccinations levels are progressing at an outstanding rate, has led to improved sentiment for previously unloved sectors such as banks and materials at the detriment of stay-at-winners such as technology names. The signing of US President Joe Biden's $1.9 trillion stimulus bill further intensified expectation of a significant return to growth for the US economy in 2021. This is causing inflationary concerns to grow in some quarters, and as such the trend of higher bond yields continued through March. There are some concerns central banks will move to counteract higher inflation, perhaps in the form of an earlier-than-expected interest rate hike. We do not expect tightening of monetary policy at any point soon. Unlike the European Central Bank, the US Federal Reserve and the Bank of England thus far appear unconcerned by higher bond yields, seeing them as an indication of an improved outlook. Central bankers are aware that the labour market remains precarious and returning to full employment will likely trump the need to dampen any rise in inflation. The tapering of quantitative easing programmes, namely bond purchases, could harm sentiment, so expect to see a continued focus on central banker communications. For now, equity markets appear to be well supported while some opportunities remain in more diversified bond areas.

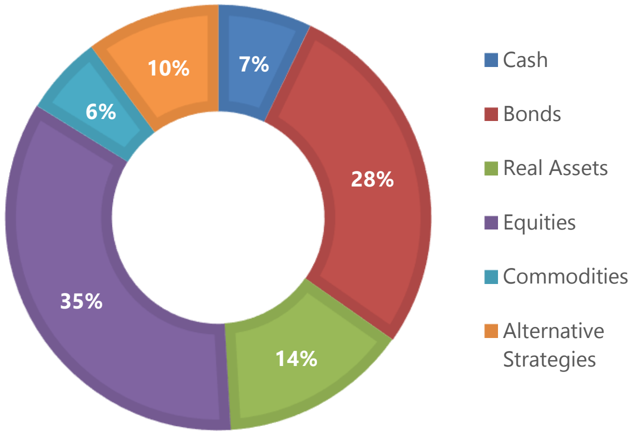
FUND REVIEW

A very marginal negative return for the month. Several positions within the fund, such as US Treasuries and Emerging Market Debt, were detrimentally impacted by rising bond yields and a strengthening US dollar. The bond sell-off has certainly been rapid but it has created value where previously there was little, resulting in an improved income from our portfolio protection elements. An overall growth stock bias in our equity allocation was unhelpful as cyclical stocks outperformed. As a team we have discussed this stock rotation at length in recent months and continue to ensure the portfolio is positioned to weather all potential eventualities. At an asset allocation level we have selectively added risk to the fund, while from a vehicle perspective we seek to balance existing growth vehicles with those that offer a tilt towards value names. No radical pivot, simply a recognition of a changing environment for investors. A broad spread of return generators is key and we believe the fund remains well-positioned to take advantage of still uncertain markets.

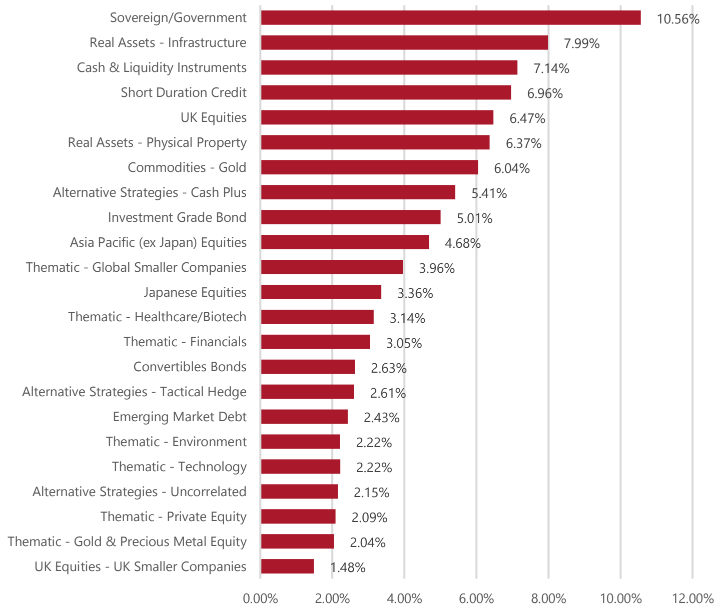
ACTIVITY

Through the month, we phased the investment of February's asset allocation change, reducing our Physical Gold exposure with the proceeds reallocated into Gold & Precious Metals equity. This was achieved by prudently reducing our position in the iShares Physical Gold ETC., to average our market price, with corresponding purchases into the Jupiter Gold & Silver fund. Further to this came the introduction of a new holding in the Kempen Global Small-Cap fund – with its small-cap value stock bias, this complements our existing holding in the growth-orientated ASI Global Smaller Companies. We continue the move to add risk prudently and incrementally to the fund by reducing cash with a new position taken in UK Smaller Companies. We see improving sentiment in UK names allied to some value and a potentially swifter path to re-opening than many developed peers. A new position was introduced in the Amati UK Smaller Companies fund, an exceptionally well managed vehicle that has consistently displayed outperformance in the space. Elsewhere, and in response to some outflows, we reduced our holding in the L&G Short Dated Corporate Bond fund – with bond yields tumbling we feel it judicious to take some profit here.

ASSET ALLOCATION



FUND COMPOSITION



FUND PERFORMANCE

30/03/2018 - 31/03/2021 Data from FE fundinfo2021

CUMULATIVE PERFORMANCE as at 31.03.2021

	1 Month	3 Months	6 Months	1 Year	3 Years
Fund	-0.10	-0.63	4.07	11.17	9.17
Benchmark	1.37	0.98	7.76	20.33	14.90

Performance Data: Share Class E Inc

ANNUAL PERFORMANCE

	2020	2019	2018	2017	2016
Fund	0.45	10.05	-3.83	0.00	0.00
Benchmark	3.51	12.21	-5.11	7.19	10.80

Performance Data: Share Class E Inc

RISK METRICS as at 31.03.2021

	3 Years
Annual Volatility	8.28%
Maximum Drawdown	-1.21
Sharpe Ratio	0.18

Metrics annualised over three years for Share Class E Inc

TOP TEN HOLDINGS as at 31.03.2021

Holding	Percentage
JPM Betabuilders US Treasury Bond UCITS ETF - GBP Hedged	7.58%
L&G Short Dated Sterling Corporate Bond Index C Inc	6.96%
iShares Physical Gold ETC GBP	6.04%
Allianz Fixed Income Macro E Acc	5.41%
Schroder Asian Income L Inc	4.68%
Franklin UK Equity Income W Inc	3.24%
Chelverton UK Equity Income B Inc	3.23%
Polar Capital Healthcare Opportunities I Inc	3.14%
Polar Capital Global Insurance I Inc GBP	3.05%
iShares $ Treasury Bond 7-10 Years UCITS ETF GBP Hedged (Dist)	2.98%

FUND CHARGES

	B	C	D	E
Ongoing charges figure (% p.a.)	1.21%	0.71%	1.46%	1.81%
Annual management charge (% p.a.)	0.65%	0.15%	0.90%	1.25%
Initial fee	0.00%	0.00%	0.00%	0.00%

The methodology for calculation of synthetic expense ratio has changed. Following guidance issued by the Investment Association on 2 July 2020, the synthetic OCF calculation has been expanded to include closed ended vehicles such as investment trusts.

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, Jonathon Marchant and Mark Moore
Fund size:	£233.82 million
No. of holdings:	39
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