

FP MATTIOLI WOODS BALANCED

FUND MANAGER COMMENTARY

MARKET REVIEW

Equity markets delivered a strong positive return over the month. Primarily led by the US where economic data, particularly employment related, remains strong. The US is a useful example of the effects of reopening, having removed many mobility restrictions ahead of Europe. As we have previously noted, there is some indication peak growth in the US has passed with both manufacturing and services activity now slowing. Though viewed through a different lens, this could also reflect labour market shortages and challenging global trade conditions – the reimposition of restrictions in certain parts of China and similarly in Vietnam are causing further friction in supply chains. These dynamics are creating some inflationary pressures and while headline consumer price inflation remains elevated, data showed core US inflation (which excludes food and energy) falling marginally in July. If inflation proves transitory there is flexibility and less pressure on central banks to begin the process of interest rate rises. With much uncertainty here, there remains an element of caution in equity markets. Investors cheered the speech of US Federal Reserve Chairman, Jerome Powell, who sought to maintain the balance between supporting the economy and tightening monetary policy. The key for Powell, and those listening, was separating the timeline for tapering bond purchases from that of interest rate rises. While the former was already widely expected, and likely priced in, the latter may have caused upset. The Bank of England also set out the conditions under which they would remove support. Of course, none of this is guaranteed and the spread of the Delta variant, or indeed a yet to be unidentified variant, could demand a rethink.

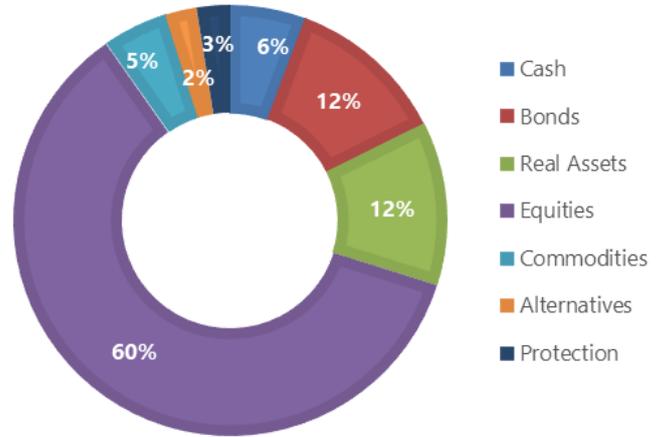
FUND REVIEW

A positive return from the Fund over the month though on a relative basis slightly behind the benchmark. All equity positions contributed positively over the month, with standout contributions coming from our UK and Indian equity holdings. An effective underweight to direct US equity will have impacted returns relative to the benchmark – the US once again lead developed market returns with growth stocks outperforming value names as sovereign bond yields remain low. We remain conscious on valuation in US equity markets, preferring to take a more refined approach through our thematic positions. Further to this was some softness in our US Treasury bond exposure as yields moved marginally higher. India equities continue to deliver – we noted the sheltered nature of the Indian economy last month which appears somewhat insulated from the events in China that are impacting other parts of Asia. After struggling with the initial impact of the Delta variant, the number of new daily Covid-19 cases in India now appears to have levelled off.

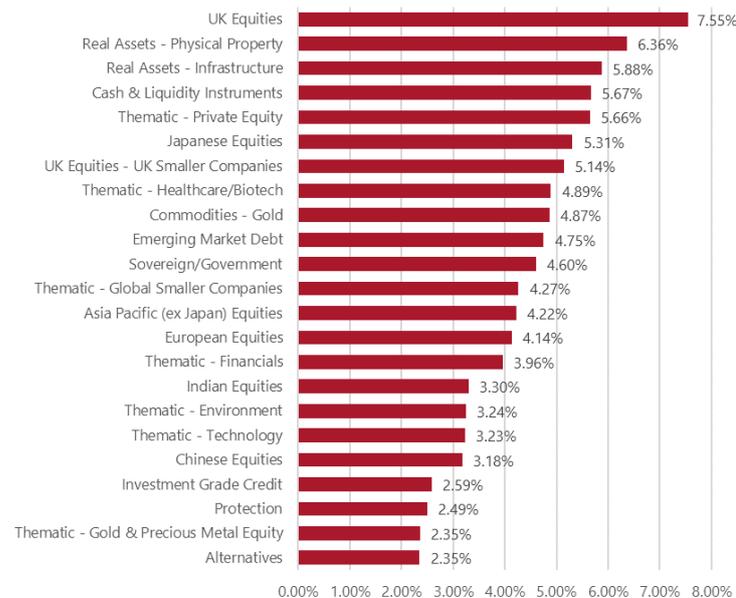
ACTIVITY

After temporarily increasing cash in July as part of a repositioning of Alternative Strategies, this month we deployed that cash into European equities. This is an area we remain positive towards, displaying a combination of both value and economic lag – particularly versus the US where the economy has recovered much faster following reopening. To complete this asset allocation change, we topped up our existing holding in the Premier Miton European Opportunities fund. We had moved overweight in our Property allocation following broad recovery in the sector so profit was taken across Picton Property Income, Home REIT and LXI REIT. A new position in the Allianz China A-Shares fund was introduced to complement our existing Chinese equity holding in the Invesco China fund. The Allianz fund gives us exposure to domestic Chinese companies. We believe these names better capitalise on the growing influence of the Chinese consumer while the natural sector skew of the China A-shares market avoids some of the areas currently being impacted by stringent regulation.

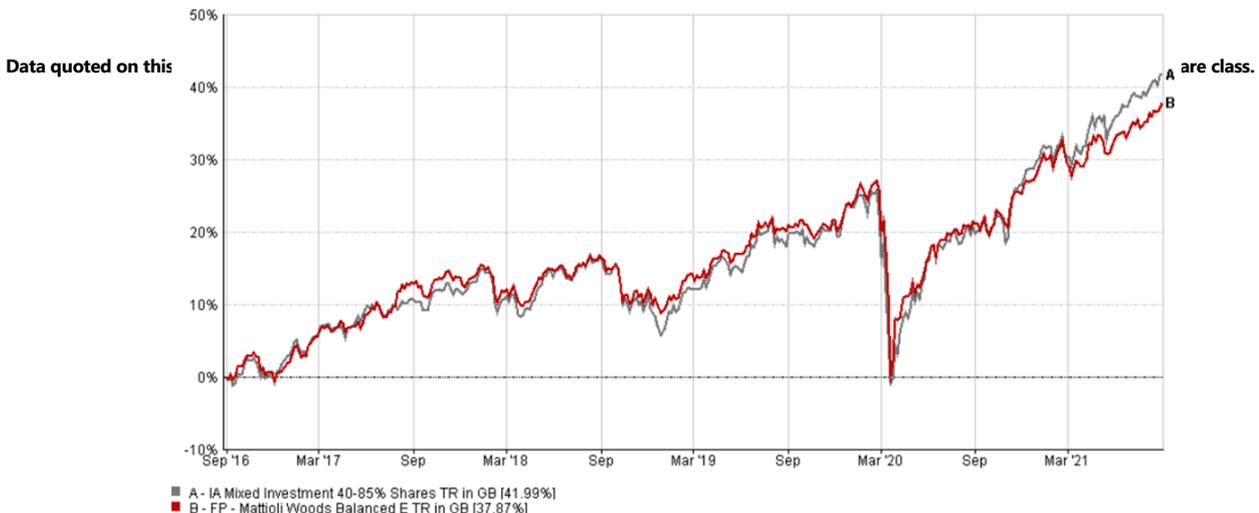
ASSET ALLOCATION



FUND COMPOSITION



FUND PERFORMANCE



CUMULATIVE PERFORMANCE as at 31.08.2021

	1 Month	3 Months	6 Months	1 Year	3 Years
Fund	2.02	3.85	6.61	13.49	18.36
Benchmark	2.26	4.75	9.72	18.03	22.68

Performance Data: Share Class E Inc

ANNUAL PERFORMANCE

	2020	2019	2018	2017	2016
Fund	3.76	13.95	-4.65	11.66	9.10
Benchmark	5.22	15.96	-6.11	10.18	13.32

Performance Data: Share Class E Inc

RISK METRICS as at 31.08.2021

	3 Years
Annual Volatility	10.59%
Maximum Drawdown	-14.20
Sharpe Ratio	0.24

Metrics annualised over three years for Share Class E Inc

TOP TEN HOLDINGS as at 31.08.2021

Holding	Percentage
Polar Capital Healthcare Opportunities I Inc	4.89%
iShares Physical Gold ETC GBP	4.87%
JPM Betabuilders US Treasury Bond UCITS ETF - GBP Hedged	4.60%
Premier Miton European Opportunities B Acc	4.14%
Amati UK Smaller Companies B Acc	4.11%
Polar Capital Global Insurance I Inc GBP	3.96%
Goldman Sachs India Equity Portfolio I Inc	3.30%
Invesco China Equity Z Acc	2.87%
Baillie Gifford Japanese B Inc	2.72%
JOHCM UK Dynamic Y Inc	2.62%

FUND CHARGES

	B	C	D	E
Ongoing charges figure (% p.a.)	1.41%	0.91%	1.66%	2.01%
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	GB00BF475Y04	BF475Y0
C Acc	GB00B5ZMXX91	B5ZMXX9
C Inc	GB00BF475Z11	BF475Z1
D Inc	GB00BZCN8H48	BZCN8H4
E Inc	GB00BZCN8J61	BZCN8J6

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:	£950.80 million
No. of holdings:	44
Sector:	IA Mixed Investments 40-85% Shares
Benchmark:	IA Mixed Investments 40-85% Shares
Distribution policy:	Half-yearly
Payment dates:	March and September
XD date:	February and August
Launch date:	3 March 2009
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

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