31 AUGUST 2021

FP MATTIOLI WOODS CAUTIOUS

MATTIOLI WOODS FUNDS

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.

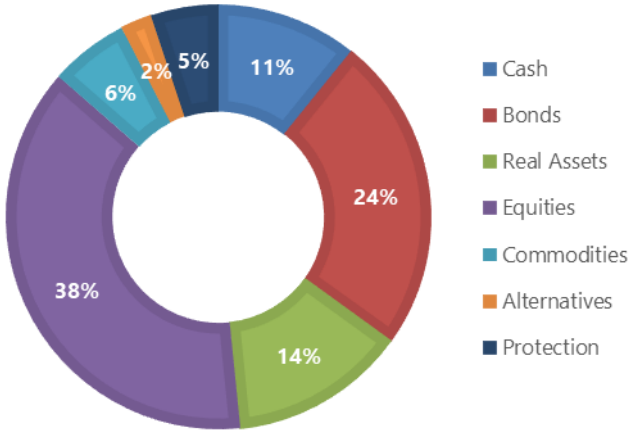
FUND REVIEW

A positive return from the Fund over the month though on a relative basis behind the benchmark. All equity positions contributed positively over the month, with standout contributions coming from our UK and Global Smaller Companies 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 also outperforming value names as sovereign bond yields remain low. We remain cautious on valuation in US equity markets, preferring to take a more refined approach through our thematic positions. Our corporate bond holdings delivered a positive return while conversely our US Treasury position was slightly negative as US bond yields moved marginally higher. Our team are currently engaged in determining the shape of our sovereign bond and wider fixed income exposure – with yields at rock-bottom and credit spreads tight, the attraction of bond markets has diminished.

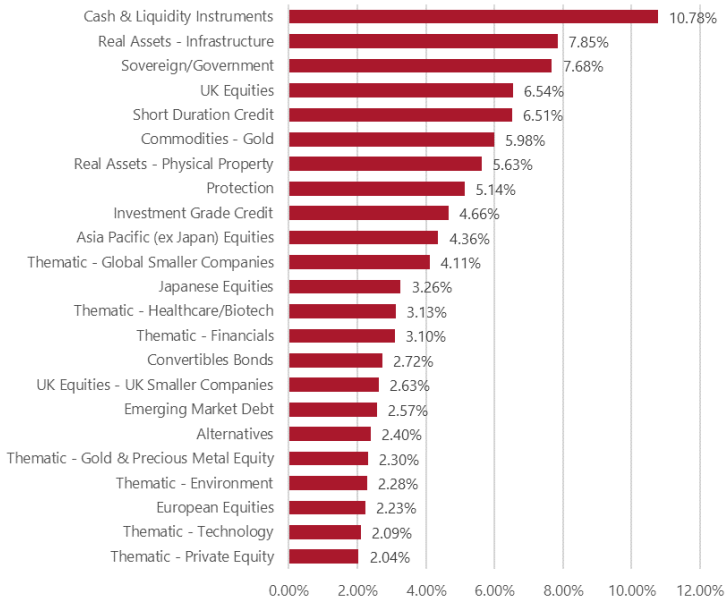
ACTIVITY

There were no asset allocation changes made during the month. Some profit was taken on our US Treasury position, with sovereign bond yields at current lows it felt prudent to capitalise – on balance, it seems likely yields will rise over the next 12 months. The US Federal Reserve plan to scale back the rate of monthly bond purchases, reining in some of the economic stimulus measures implemented at the height of the pandemic. While interest rate rises still appear some way off, reopening of society is generating inflationary pressures that support a gradual pivot back towards tighter monetary policy and higher bond yields. Elsewhere we used inflows into the fund to top-up several existing equity areas. These included the Jupiter Gold & Silver fund, the Goldman Sachs Japan Equity Portfolio fund and the T. Rowe Price Asian Opportunities fund. Each of these display some interesting value for the long-term investor, particularly the latter which has suffered as Chinese authorities heavily regulate segments of their economy.

ASSET ALLOCATION



FUND COMPOSITION



FUND PERFORMANCE

31/08/2018 - 31/08/2021 Data from FE fundinfo2021

CUMULATIVE PERFORMANCE as at 31.08.2021

	1 Month	3 Months	6 Months	1 Year	3 Years
Fund	1.09	2.34	4.90	8.16	9.95
Benchmark	1.46	3.22	7.22	13.42	16.89

Performance Data: Share Class E Inc

ANNUAL PERFORMANCE

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

Performance Data: Share Class E Inc

RISK METRICS as at 31.08.2021

	3 Years
Annual Volatility	8.33%
Maximum Drawdown	-11.07
Sharpe Ratio	0.18

Metrics annualised over three years for Share Class E Inc

TOP TEN HOLDINGS as at 31.08.2021

Holding	Percentage
Fidelity Short Dated Corporate Bond Fund W-INC-GBP	6.51%
iShares Physical Gold ETC GBP	5.98%
JPM Betabuilders US Treasury Bond UCITS ETF - GBP Hedged	4.97%
Chelverton UK Equity Income B Inc	3.74%
Polar Capital Healthcare Opportunities I Inc	3.13%
Polar Capital Global Insurance I Inc GBP	3.10%
Franklin UK Equity Income W Inc	2.80%
Jupiter Global Convertibles D GBP A Inc	2.72%
iShares US Treasury Bond 7-10 Years UCITS ETF GBP Hedged	2.70%
Amati UK Smaller Companies B Acc	2.63%

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:	£228.84 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

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