30 SEPTEMBER 2021

MATTIOLI WOODS FUNDS

FP MATTIOLI WOODS BALANCED

FUND MANAGER COMMENTARY

MARKET REVIEW

Equity markets were broadly negative over the month, hit by a combination of supply chain stress, central bank policy and Chinese real estate woe. While the strain on supply chains has been clearly visible here in the UK, exemplified by a run on fuel and gaps across supermarket shelves, this dynamic is playing out globally as shipping costs rise substantially. With reopening leading to increased demand and notable labour market shortages, there appears further evidence that inflation may prove stickier than previously expected. While the base effect (the impact of prices now versus those one year ago) is still apparent in inflation readings, the underlying forces we are witnessing give less credence to the idea of high inflation being transitory. Central bank policy turned more hawkish this month, resulting in a spike in bond yields. The US Federal Reserve announced they will start to slow the pace of asset purchases (tapering), most likely in November, while the Bank of England (BOE) has suggested interest rates could rise sooner than previously anticipated, possibly early 2022. This would make the BOE the first of the major central banks to raise rates, certainly a bold move. This change in policy comes as central bankers grapple with rapid growth and inflation mandates. Elsewhere, fears the large Chinese property developer, Evergrande, could default (following increased regulation of the sector) threaten to spill over into broader growth sentiment. Property development remains a large component of Chinese economic growth, so any slowdown here would dent global growth. Overall, a poor month for risk sentiment and one which creates an arena in which active investors must stay abreast of a rapidly shifting investment environment.

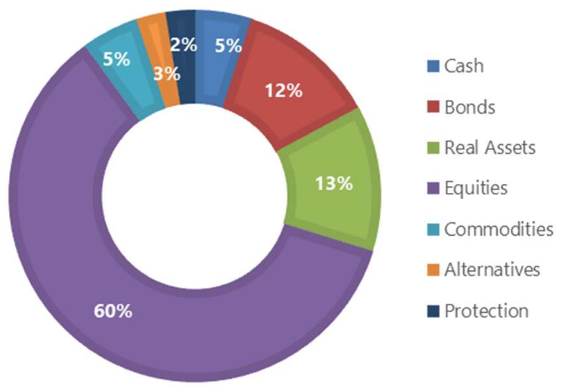
FUND REVIEW

While the fund delivered a negative return over the month, it provided some protection versus the falls seen in the benchmark. Though both equity and bond markets moved broadly lower, there were areas which still managed to deliver positively. Our Alternatives exposure stood up well, evidence of the role these diversified assets can play within portfolios. Japanese equities were one of the few equity areas to deliver a positive return. Japanese Prime Minister, Yoshihide Suga, announced he would not lead the Liberal Democratic Party into November's general election. His successor, Fumio Kishida, is expected to lead the party to victory and the Japanese market rallied on an expectation of further stimulus to rejuvenate the economy. Indian equities were another standout – a market that is benefitting from both its insular nature and recovery from the worst effects of the pandemic. Our holding in the Goldman Sachs India Equity Portfolio provided the largest individual positive contribution. Diversified sources of capital return and income will become ever more important in an environment of uncertain supply dynamics and the associated inflationary impact.

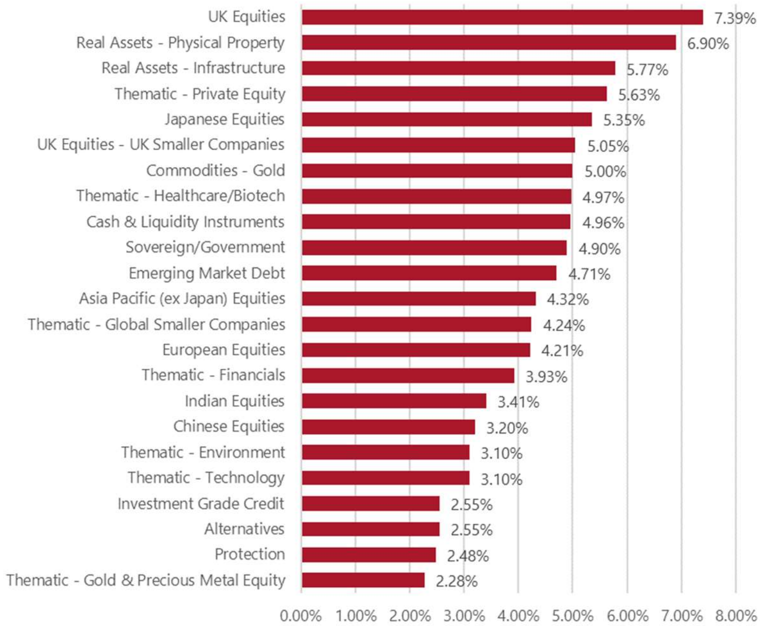
ACTIVITY

There were no asset allocation changes during the month. We initiated a position in the Mattioli Woods Property Securities Fund. This fund has been launched to provide investors with a diversified and liquid exposure to property. It will hold a mix of both Real Estate Investment Trusts (REITs) and property company shares, giving us broad exposure to underlying property trends. With the risk of moderately higher bond yields appearing more likely we reduced the duration of our US Treasury exposure, essentially lowering our exposure to interest rate risk. This was achieved by partially selling our holding in the JPM Betabuilders US Treasury Bond ETF and introducing a position in the iShares $ Treasury Bond 1-3yr ETF. The move results in us holding a US Treasury duration position in the region of five years, affording a suitable degree of protection while reducing our interest rate risk. Elsewhere, we topped up our holding in Physical Gold, another protective element that offers some hedging against inflation.

ASSET ALLOCATION



FUND COMPOSITION



FUND PERFORMANCE

30/09/2016 - 30/09/2021 Data from FE fundinfo2021

Data quoted on this factsheet relates to the B Inc share class, but please note that information prior to 31 July 2017 is based on the B Acc share class.

CUMULATIVE PERFORMANCE as at 30.09.2021

	1 Month	3 Months	6 Months	1 Year	3 Years
Fund	-0.91	1.72	6.06	14.20	20.79
Benchmark	-1.36	1.33	6.34	16.63	21.30

Performance Data: Share Class B Inc

ANNUAL PERFORMANCE

	2020	2019	2018	2017	2016
Fund	4.39	14.62	-4.07	11.94	9.10
Benchmark	5.32	15.78	-6.11	9.98	12.87

Performance Data: Share Class B Inc

RISK METRICS as at 30.09.2021

	3 Years
Annual Volatility	9.96
Maximum Drawdown	-14.11
Sharpe Ratio	0.30

Metrics annualised over three years for Share Class B Inc

TOP TEN HOLDINGS as at 30.09.2021

Holding	Percentage
iShares Physical Gold ETC GBP	5.00%
Polar Capital Healthcare Opportunities I Inc	4.97%
Premier Miton European Opportunities B Acc	4.21%
Amati UK Smaller Companies B Acc	4.01%
Polar Capital Global Insurance I Inc GBP	3.93%
Goldman Sachs India Equity Portfolio I Inc	3.41%
JPM Betabuilders US Treasury Bond UCITS ETF - GBP Hedged	3.03%
Goldman Sachs Japan Equity Partners Portfolio I Hedged Acc	2.72%
Baillie Gifford Japanese B Inc	2.63%
JOHCM UK Dynamic Y Inc	2.57%

FUND CHARGES

	B	C	D	E
Ongoing charges figure (% p.a.)	1.18%	0.93%	1.68%	2.03%
Annual management charge (% p.a.)	0.40%	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:	£951.50 million
No. of holdings:	46
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.**

Source: FE Fundinfo