

FP MATTIOLI WOODS CAUTIOUS

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.

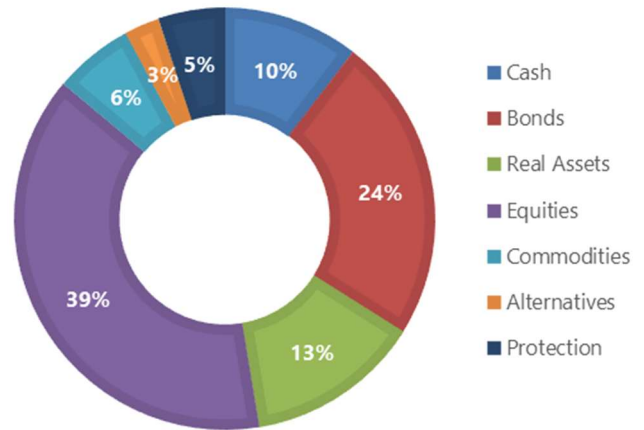
FUND REVIEW

While the fund delivered a negative return over the month, it provided some marginal 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. Our holding in the Goldman Sachs Japan Equity Partners fund provided the largest individual positive contribution. Global Smaller Companies, in particular our holding in the value orientated Kempen Global Small-Cap fund, were another positive. Diversified sources of capital return and income will become ever more important in an environment of uncertain supply dynamics and the associated inflationary impact.

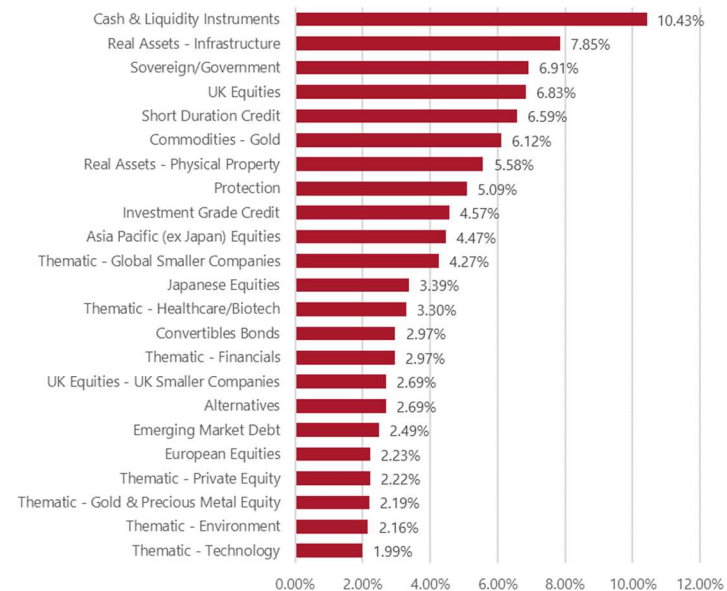
ACTIVITY

Considering the dynamics evident in financial markets we reduced the size of our US Treasury bond exposure. While US Treasuries should still offer portfolio protection in the event of a downturn, risks now appear more one sided. Moderately higher bond yields, which would be detrimental to longer dated bond holdings, seem likely. In addition to reducing overall exposure, we also reduced duration, meaning we are less exposed to interest rate risk – this was achieved by exiting our holding in the iShares \$ Treasury Bond 7-10yr 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. The proceeds from this reduction were used to top-up our UK equity position where we continue to see a long-term value opportunity. 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. Elsewhere, we topped up our holding in Physical Gold, a protective element that offers some hedging against inflation.

ASSET ALLOCATION



FUND COMPOSITION



FUND PERFORMANCE



## CUMULATIVE PERFORMANCE as at 30.09.2021

	1 Month	3 Months	6 Months	1 Year	3 Years
<b>Fund</b>	-1.15	0.72	3.93	8.49	11.04
<b>Benchmark</b>	-1.24	0.78	4.41	12.21	15.32

Performance Data: Share Class B Inc

## ANNUAL PERFORMANCE

	2020	2019	2018	2017	2016
<b>Fund</b>	1.09	10.56	-3.28		
<b>Benchmark</b>	3.51	11.84	-5.10	7.16	10.32

Performance Data: Share Class B Inc

## RISK METRICS as at 30.09.2021

	3 Years
<b>Annual Volatility</b>	7.53
<b>Maximum Drawdown</b>	-10.99
<b>Sharpe Ratio</b>	0.01

Metrics annualised over three years for Share Class B Inc

## TOP TEN HOLDINGS as at 30.09.2021

Holding	Percentage
Fidelity Short Dated Corporate Bond Fund W-INC-GBP	6.59%
iShares Physical Gold ETC GBP	6.12%
JPM Betabuilders US Treasury Bond UCITS ETF - GBP Hedged	4.13%
Chelverton UK Equity Income B Inc	3.61%
Polar Capital Healthcare Opportunities I Inc	3.30%
Franklin UK Equity Income W Inc	3.22%
Polar Capital Global Insurance I Inc GBP	2.97%
Lazard Global Listed Infrastructure Equity A Inc	2.86%
Morgan Stanley Liquidity Sterling Inst	2.83%
Goldman Sachs Sterling Liquid Reserves I Acc	2.82%

## FUND CHARGES

	B	C	D	E
<b>Ongoing charges figure (% p.a.)</b>	1.07%	0.82%	1.57%	1.92%
<b>Annual management charge (% p.a.)</b>	0.40%	0.15%	0.90%	1.25%
<b>Initial fee</b>	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>B Inc</b>	GB00BZCN8C92	BZCN8C9
<b>C Inc</b>	GB00BZCN8D00	BZCN8D0
<b>D Inc</b>	GB00BZCN8F24	BZCN8F2
<b>E Inc</b>	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

<b>Fund managers:</b>	Ian Goodchild, Jonathon Marchant and Mark Moore
<b>Fund size:</b>	£230.49 million
<b>No. of holdings:</b>	41
<b>Sector:</b>	IA Flexible Investment
<b>Benchmark:</b>	IA Mixed Investments 20-60% Shares
<b>Distribution policy:</b>	Half-yearly
<b>Payment dates:</b>	March and September
<b>XD date:</b>	February and August
<b>Launch date:</b>	31 July 2017
<b>Legal structure:</b>	Non-UCITS Retail Scheme
<b>Reporting date (annual):</b>	31 July
<b>Reporting date (interim):</b>	31 January
<b>Base currency:</b>	Sterling
<b>Valuation point:</b>	12:00 midday daily
<b>ISA eligible:</b>	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

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