30 JUNE 2022

MATTIOLI WOODS FUNDS

FP MATTIOLI WOODS ADVENTUROUS

FUND MANAGER COMMENTARY

MARKET REVIEW

After falling significantly through the first half of the month, equity prices did stabilise through the second half – however, this was not sufficient to recover those earlier falls, resulting in a notable drawdown for the month. Much of the sell-off was attributable to continued inflationary concern following an above-forecast US inflation print that led to a 0.75% interest rate rise by the US Federal Reserve – in contrast to the 0.50% financial markets had priced in. With major central banks looking to aggressively raise rates into what is likely to prove a challenging economic environment, particularly for the under-pressure consumer, financial markets are now pricing-in an increased possibility of recession. This was visible in commodities markets, a traditionally cyclical indicator of economic conditions, which sold-off this month following outperformance in the sector year-to-date. Copper is often viewed as a leading indicator of economic conditions, due to its use across multiple industries, so a double-digit sell-off in June seemingly reflects a view that global demand is likely to fall notably as conditions worsen. One trend seen persistently this year is a weakening of sterling – not ideal for a country heavily dependent on import activity but beneficial for unhedged sterling investors who have suffered nowhere near the same level of drawdown that a US dollar-based equity investor has experienced. This trend was amplified in June, sterling once again weakening against the greenback due to a poorly received rate rise of only 0.25% from the Bank of England. Though we might not be facing the same level of equity market falls on a currency basis, we are certainly feeling weaker sterling at the fuel pumps.

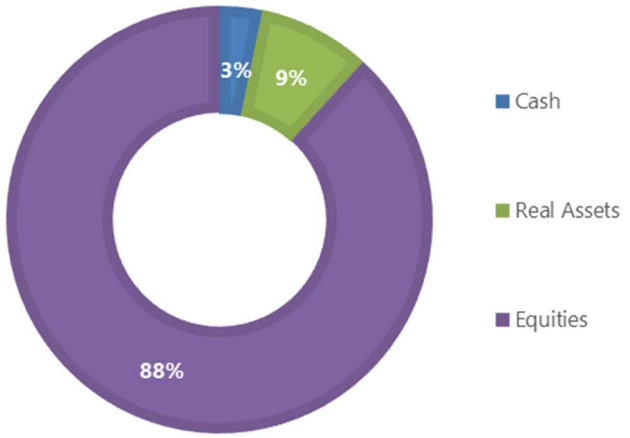
FUND REVIEW

The Fund delivered a negative return over June but did provide slight cushion against the fall seen in the benchmark that represents the average return of our peer group. An underweight to US equity proved beneficial this month as that market struggled against inflation and rising rates. We have discussed stretched valuations in the US equity market at length and even viewed in the context of a correction year-to-date it is difficult to believe optimistic earnings forecasts for the next 12 months can be achieved. Asian markets outperformed, led by China which was one of the few bright spots across equity markets. The lifting of lockdowns in several major Chinese cities resulted in significant repricing as sentiment rapidly shifted. Our holding in Morgan Stanley Asia Opportunity was one of the few positive contributors due a sizeable allocation to Chinese equity. Elsewhere there was little to cheer as risk assets broadly slipped.

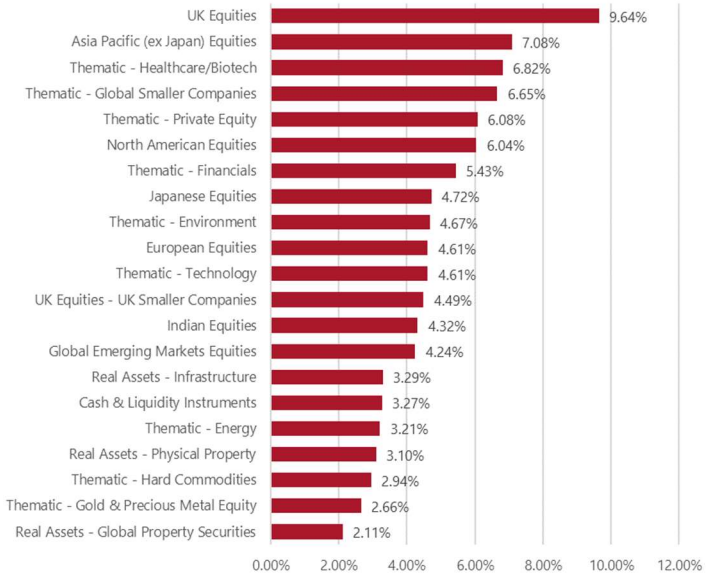
ACTIVITY

There was an asset allocation change this month to reduce our global smaller companies position, slightly dialling back a sector that can prove sensitive to economic conditions, with a corresponding increase in cash. In the current environment, we believe holding some extra cash for protection is more than justified. We note inflation is unkind to cash, but it is to all asset classes and not falling in nominal terms is an attractive characteristic, for now. We used the asset allocation change to reposition our underlying holdings, exiting ASI Global Smaller Companies and instigating a new position in Premier Miton Global Smaller Companies. The latter, which is notably smaller in size, can be nimbler and more opportunistic, a factor we see as beneficial in the more illiquid smaller companies space. This move also allows us to continue investing with the highly experienced Alan Rowsell following his 2020 move from ASI to Premier Miton.

ASSET ALLOCATION



FUND COMPOSITION



FUND PERFORMANCE

28/06/2019 - 30/06/2022 Data from FE fundinfo2022

CUMULATIVE PERFORMANCE as at 30.06.2022

	1 month	3 months	6 months	1 year	3 years
Fund	-5.17	-10.77	-15.80	-13.74	20.30
Benchmark	-5.41	-10.05	-14.50	-8.77	21.03

Performance Data: Share Class B Inc

ANNUAL PERFORMANCE

	2021	2020	2019	2018	2017
Fund	9.94	22.64	20.18	-5.51	
Benchmark	17.68	15.27	21.92	-5.72	14.02

Performance Data: Share Class B Inc

RISK METRICS as at 30.06.2022

	3 years
Annual Volatility	16.77
Maximum Drawdown	-19.54
Sharpe Ratio	0.17

Metrics annualised over three years for Share Class B Inc

TOP TEN HOLDINGS as at 30.06.2022

Holding	Percentage
Polar Capital Healthcare Opportunities I Inc	5.61%
Polar Capital Global Insurance I Inc GBP	5.43%
Premier Miton European Opportunities B Acc	4.61%
Goldman Sachs India Equity Portfolio I Inc	4.32%
Redwheel Global Emerging Markets B Inc	4.24%
Kempen Global Small-cap I GBP	4.18%
Amati UK Smaller Companies B Acc	3.77%
Morgan Stanley Asia Opportunity Z Acc	3.73%
JOHCM UK Dynamic Y Inc	3.59%
T. Rowe Price US Large Cap Value Equity Fund Q9 GBP	3.41%

FUND CHARGES

	B	C	D	E
Ongoing charges figure (% p.a.)	1.35%*	1.08%	1.83%	2.18%
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.

*With effect from 1 September 2021, the AMC fees for Share Class B reduced from 0.65% to 0.40%. The operating charge disclosed above is based on actual amounts incurred in the period, the future cost of investing in the Fund is expected to be 1.33%

FUND CODES

	ISIN	SEDOL
B Inc	GB00BZCN8P22	BZCN8P2
C Inc	GB00BZCN8Q39	BZCN8Q3
D Inc	GB00BZCN9153	BZCN915
E Inc	GB00BZCN9260	BZCN926

FUND AIM

The Fund aims to achieve long-term capital growth by the active management of a global multi-asset portfolio.

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:	£126.42 million
No. of holdings:	38
Sector:	IA Flexible Investment
Benchmark:	IA Global
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.**

Source: FE Fundinfo