30 JUNE 2022

MATTIOLI WOODS FUNDS

FP MATTIOLI WOODS RESPONSIBLE EQUITY FUND

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.

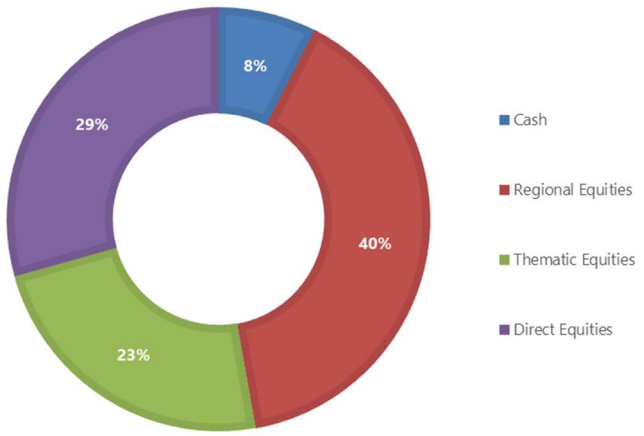
FUND REVIEW

Once again, we find ourselves writing about a challenging backdrop. All the excitement of the long Jubilee weekend was quickly forgotten, as stock markets remain challenging given the wall of interest rate rises that are coming in the USA and the UK. Our fund has some defensive characteristics due to the blend of growth and value characteristics we look for. On the direct equity side, although we hold no utilities, we own FRP, which operates in the area of insolvency/corporate restructuring as well as holdings in defensive names such as GlaxoSmithKline, Smith and Nephew, and National Express. On the fund side, we added to our holding of Schroder Global Sustainable Value, which is a 'value oriented' fund. Corporate activity remains high up the agenda for both companies and private equity. In July, GlaxoSmithKline will be de-merging its consumer healthcare business, which is to be called Haleon. Tate and Lyle has started the process of demerging its corn milling business, which should add value over time. We shall be following the course of Unilever closely after the activist Nelson Peltz took a significant stake in the group and was put on the board. A break-up between personal care and food has been rumoured in the past. It was good to see Lloyds Bank announced a one-off bonus payment for workers to help them through the cost of living crisis. It will be interesting to see if other companies follow suit.

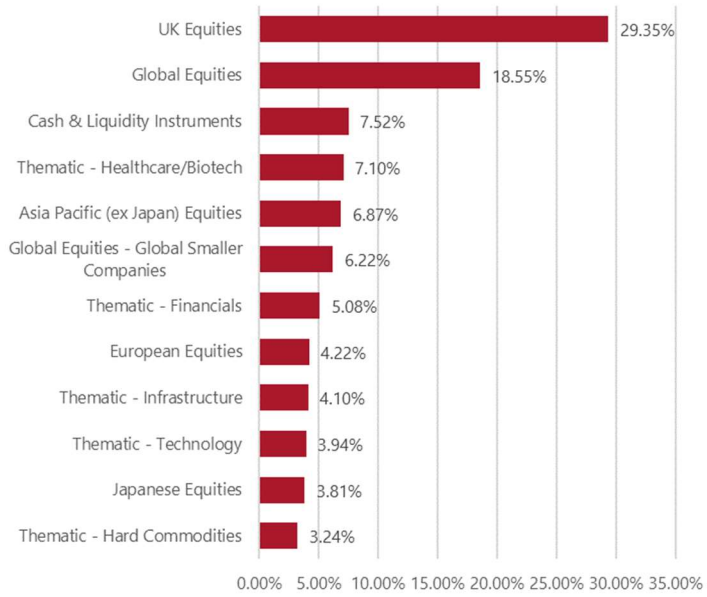
ACTIVITY

We met with both Wickes and XPS in June. XPS is an attractively valued pensions consultant, which has an interesting market position just outside the big behemoths of the sector, like AIG. One of the aspects of the company we don't like is that they have 2 joint CEOs. This is unusual and against best corporate governance practice but under the 'comply or explain' methodology they argue it is effective and works for them. We continue to engage on this matter.

ASSET ALLOCATION



FUND COMPOSITION



FUND PERFORMANCE

Past performance data will not be published until the Fund has been running for a full 12-month period.

CUMULATIVE PERFORMANCE as at 30.06.2022

Past performance data will not be published until the Fund has been running for a full 12-month period.

ANNUAL PERFORMANCE

Past performance data will not be published until the Fund has been running for a full 12-month period.

TOP TEN HOLDINGS as at 30.06.2022

Holding	Percentage
Schroder Global Sustainable Value	7.95%
Polar Capital Healthcare Opportunities I Inc	7.10%
Stewart Investors Asia Pacific Sustainability B Acc	6.87%
BMO SDG Engagement R Inc	6.22%
Polar Capital Global Insurance I Inc GBP	5.08%
Impax Global Equity Opportunity X Acc	4.24%
Liontrust SF European Growth 2 Acc	4.22%
First Sentier Responsible Listed Infrastructure E Inc GBP	4.10%
Janus Henderson Sustainable Future Technologies G Acc	3.94%
NB Japan Equity Engagement	3.81%

TOP TEN UK DIRECT EQUITY HOLDINGS as at 30.06.2022

Holding	Percentage
Smith & Nephew plc	1.49%
Pearson plc	1.45%
Coats Group plc	1.40%
XPS Pensions Group plc	1.38%
GlaxoSmithKline plc	1.37%
BT Group plc	1.29%
Unilever plc	1.23%
AstraZeneca plc	1.22%
Tesco plc	1.16%
Renewi plc	1.14%

FUND AIM

The investment objective of the Fund is to generate a combination of capital growth (the increase in value of investments) and income (money paid out by an investment, such as a dividend from a share or from fund) over an investment term of 5-year rolling periods. Capital growth will be prioritised over income generation.

INVESTMENT PHILOSOPHY

The Fund uses a global, multi-sector approach, investing in a combination of direct equities in the UK, as well as geographic and thematic equity funds to generate long-term capital growth and income. The Fund defines responsible investing as aiming to generate attractive long-term returns, while ensuring that the companies owned are behaving in the interests of their communities and wider society.

FUND DETAILS

Fund managers:	Christopher White, Jonathon Marchant and Lauren Wilson
Fund size:	£7.20 Million
No. of holdings:	43
Sector:	IA Global
Benchmark:	IA Global
Distribution policy:	Half-yearly
Payment dates:	March and September
XD date:	February and August
Launch date:	22 September 2021
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
Ongoing charges figure (% p.a.)	
B Income	1.02%
Annual management charge (% p.a.)	
B Income	0.40%
M Income	0.10%
Initial fee	0.00%
ISIN	
B Income	GB00BMCH5X09
M Income	GB00BMCH5Y16
SEDOL	
B Income	BMCH5X0
M Income	BMCH5Y1

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