31 JULY 2022

MATTIOLI WOODS FUNDS

FP MATTIOLI WOODS RESPONSIBLE EQUITY FUND

FUND MANAGER COMMENTARY

MARKET REVIEW

Global equity markets delivered strong returns this month as investors began to factor in potential interest rate cuts in 2023. Higher rates have resulted in a repricing of many equity sectors, so the prospect of that headwind dissipating saw a return to those stocks that have undergone large falls. Growth stocks, where you pay now for future earnings growth, have struggled this year as rate expectations rose in response to elevated inflation. This month, those very same stocks outperformed significantly, based on this changed view on rates. Slowing economic data, particularly in the services sector, drove the belief central banks will not need to push rates considerably higher to control inflation. Much inflationary pressure is a result of supply-side issues and while it is unlikely those issues are entirely resolved, demand is being destroyed. Consumers are being pushed into a precarious position because of soaring energy prices, food-price inflation and elevated transport costs. The US has now entered a technical recession, defined as two consecutive quarters of negative economic growth – it seems only a matter of time before many European economies undergo a similar fate. Of course, equity markets are not entirely tied to economic conditions and broadly are forward looking, so the possibility of monetary easing, or rate cuts, provided investors some respite in a challenging environment. We believe this relief rally is not based on solid fundamentals, instead simply a prediction of central bank action. Taking a cautious stance, as we have done, appears correct – we note earnings downgrades have only just begun and there is no guarantee inflation will simply roll over allowing central banks to announce their job done.

FUND REVIEW

July may be the holiday season but it is also a busy period for companies' reporting results and statements. We have heard from a number of our investments over the past few weeks and would describe the overall picture as broadly reassuring. The backdrop is undoubtedly tough, with inflation causing problems for businesses on the costs side and the combination of economic uncertainty and the consumer squeeze hitting the top line. Good quality businesses will be able to cope better than poor quality ones.

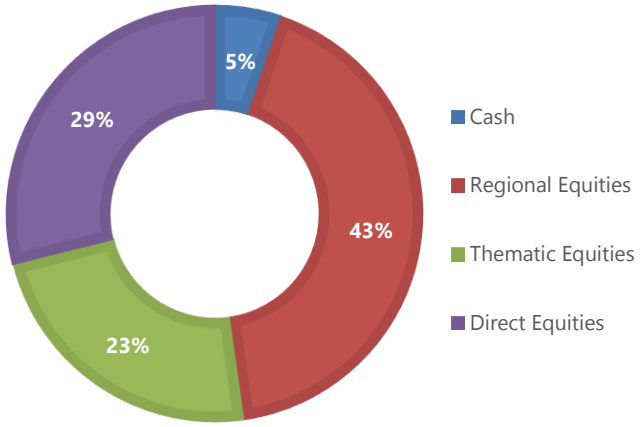
Sales at consumer staples companies such as Unilever, Reckitt Benckiser and Haleon have held up well as, although volumes are flat in many areas, the companies have pricing power to compensate. In other words, they are strong businesses. Similarly, AstraZeneca and Glaxo, with their powerful pharmaceutical franchises, have come through unscathed. The banks too produced solid results and we are pleased that Lloyds Bank is both trading well and helping its employees through the current cost of living challenges.

National Express have found the economic conditions challenging, in particular finding drivers for their school bus operations in the USA, while Wickes highlighted that trading is likely to remain difficult in the second half of the year.
We remain vigilant to the risks but think our blend of growth and value-style investments will serve us well during the current climate.

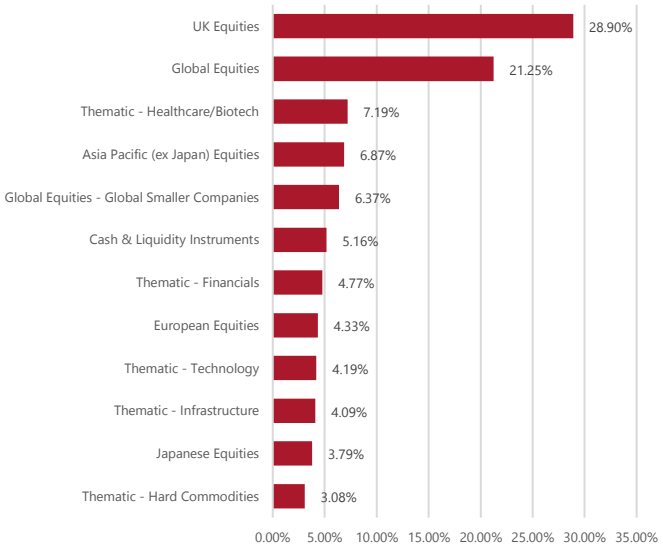
ACTIVITY

We had a meeting with the manager of the Janus Henderson Sustainable Technology Fund during July. While the area of technology has been 'out of fashion' lately, the team at Janus Henderson are convinced of the investment case for technology longer term. They tend to avoid the technology behemoths and target small and mid-sized growth companies.

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 31.07.2022

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 31.07.2022

Holding	Percentage
Schroder Global Sustainable Value	8.10%
Polar Capital Healthcare Opportunities I Inc	7.19%
Stewart Investors Asia Pacific Sustainability B Acc	6.87%
Impax Global Equity Opportunity X Acc	6.49%
BMO SDG Engagement R Inc	6.37%
Polar Capital Global Insurance I Inc GBP	4.77%
Liontrust SF European Growth 2 Acc	4.33%
Janus Henderson Sustainable Future Technologies G Acc	4.19%
First Sentier Responsible Listed Infrastructure E Inc GBP	4.09%
NB Japan Equity Engagement	3.79%

TOP TEN UK DIRECT EQUITY HOLDINGS as at 31.07.2022

Holding	Percentage
Coats Group plc	1.58%
XPS Pensions Group plc	1.48%
Pearson plc	1.39%
Smith & Nephew plc	1.30%
Unilever plc	1.26%
AstraZeneca plc	1.17%
Renewi plc	1.15%
Tesco plc	1.13%
Grainger plc	1.07%
BT Group plc	1.06%

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 five-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:	£7.53 Million
No. of holdings:	44
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%
Initial Fee	0.00%
ISIN	
B Income	GB00BMCH5X09
SEDOL	
B Income	BMCH5X0

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