

FP MATTIOLI WOODS GROWTH

FUND MANAGER COMMENTARY

MARKET REVIEW

The traditional 'Santa Rally', which typically sees equities make gains in the weeks leading up to Christmas Day, failed to fully materialise in 2022. This capped a torrid year for financial markets as asset prices underwent a marked correction in response to central bank monetary tightening and global slowdown fears. 2022 was a year to forget for investors; many equity markets suffered their worst falls since 2008 while some bond markets underwent a double-digit correction. At the outset of the year, few expected inflation to reach 40-year highs with central bankers convinced rising inflation would prove transitory. As consumer prices continued to climb, central banks took interest rates to levels not seen since the global financial crisis – hampering the growth outlook and sending bond yields markedly higher. This global wave of interest rate hikes, allied with the impact of Russia's invasion of Ukraine and China's zero-Covid policy, negatively impacted asset pricing. There were few positives, with some sectors, particularly those pricing in as yet unachieved future growth (rather than profit now), such as technology, suffering most. Commodities, notably energy, were a rare bright spot and those regional markets, including the UK large company segment, with significant exposures to these sectors fared better. Looking ahead there are flickers of optimism, with peak interest rates expected to come as 2023 progresses. That said, corporate earnings will come under pressure in a slowdown so remaining selective in equity positioning remains key. With bond yields significantly higher after the sell-off, opportunities are more prevalent here but again it is important to understand the capability (and willingness) of borrowers to repay. Here's to an improved 2023 for financial markets.

FUND REVIEW

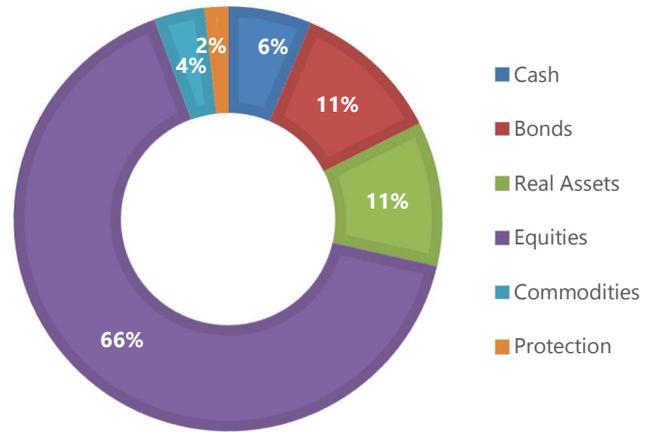
While the Fund did generate a negative return for the month, it mitigated around half of the fall seen from the benchmark. Our current cautious approach to asset allocation, encompassing a slightly more conservative equity exposure than many peers with extended use of cash and retention of other diversifiers, was responsible for that cushion. For now, we retain that outlook on equity, highlighting concern around diminishing corporate earnings that will likely come as a function of a global economic slowdown. However, more recently we have been slowly reducing our cash position to take advantage of emerging opportunities in the fixed income space. Looking at performance of the underlying, many of our diversifiers delivered positively over the month including real assets, physical gold and idiosyncratic positions such as Lazard Rathmore Alternative and Ruffer Diversified Return. These areas provided some compensation for weakness across a broad swathe of equity positions, reinforcing the benefits of holding a varied and often uncorrelated range of return generating assets.

ACTIVITY

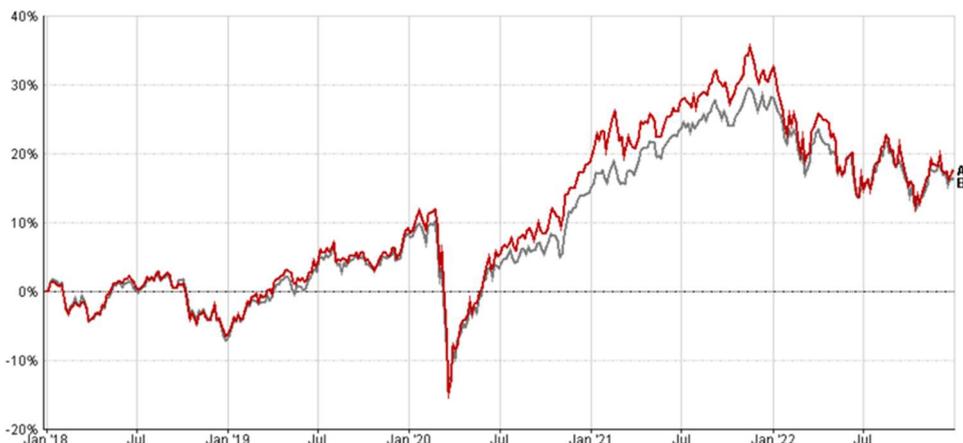
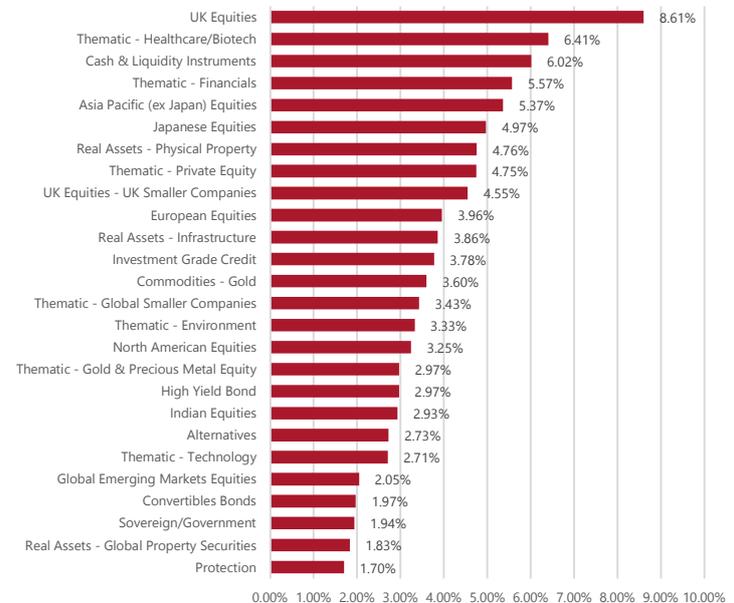
Continuing the move that commenced in November, we increased our fixed income exposure again this month. This involved a top-up of the recently introduced investment grade bond exposure via an associated reduction in cash. Bond yields offer improved value presently after moving notably higher through the year. We do remain conscious of interest rate sensitivity (in a period of heightened inflation) when investing in investment grade bonds, which, at an index level, bring an element of this risk. Our asset allocation recognises this and, as such, adds no requirement to hold a specific level of bond duration (broadly, how sensitive a bond's price is to changes in interest rate). With yields roughly similar regardless of duration, we introduced a position in short duration bonds via the Legal & General Short Dated Sterling Corporate Bond Index Fund – duration here is around half that of standard investment grade indices, so we can mitigate overall interest rate risk. Elsewhere, we used inflows to the Fund to top-up existing positions in Royal London Sterling Extra Yield Bond, another attractive yielder, and the Mattioli Woods Property Securities Fund.

FUND PERFORMANCE

ASSET ALLOCATION



FUND COMPOSITION



CUMULATIVE PERFORMANCE as at 31.12.2022

| | 1 month | 3 months | 6 months | 1 year | 3 years |
|------------------|---------|----------|----------|--------|---------|
| Fund | -0.50 | 2.02 | 1.56 | -10.86 | 8.09 |
| Benchmark | -1.10 | 2.49 | 1.47 | -8.98 | 8.08 |

Performance Data: Share Class B Inc

ANNUAL PERFORMANCE

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|------------------|--------|-------|------|-------|-------|
| Fund | -10.86 | 10.30 | 9.94 | 16.05 | -6.15 |
| Benchmark | -8.98 | 11.30 | 6.70 | 15.66 | -6.72 |

Performance Data: Share Class B Inc

RISK METRICS as at 31.12.2022

| | 3 years |
|--------------------------|---------|
| Annual Volatility | 13.08 |
| Maximum Drawdown | -16.80 |
| Sharpe Ratio | 0.11 |

Metrics annualised over three years for Share Class B Inc

TOP TEN HOLDINGS as at 31.12.2022

| Holding | Percentage |
|--|------------|
| Polar Capital Global Insurance I Inc GBP | 5.57% |
| Polar Capital Healthcare Opportunities I Inc | 5.45% |
| Premier Miton European Opportunities B Acc | 3.96% |
| FP Mattioli Woods Property Securities M Inc | 3.77% |
| Amati UK Smaller Companies B Acc | 3.71% |
| iShares Physical Gold ETC GBP | 3.60% |
| Kempen Global Small-cap I GBP | 3.43% |
| Ninety One Global Environment K Inc | 3.33% |
| JOHCM UK Dynamic X Inc | 3.23% |
| Jupiter Gold & Silver U3 Acc GBP | 2.97% |

FUND CHARGES

| | B | C | D | E |
|--|--------|-------|-------|-------|
| Ongoing charges figure (% p.a.) | 1.22%* | 0.96% | 1.69% | 2.02% |
| 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 calculating the 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 1.20% or lower depending on cross investment reduction.

FUND CODES

| | ISIN | SEDOL |
|--------------|--------------|---------|
| B Inc | GB00BZCN8K76 | BZCN8K7 |
| C Inc | GB00BZCN8L83 | BZCN8L8 |
| D Inc | GB00BZCN8M90 | BZCN8M9 |
| E Inc | GB00BZCN8N08 | BZCN8N0 |

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: | £554.89 million |
| No. of holdings: | 45 |
| Sector: | IA Flexible Investment |
| Benchmark: | IA Flexible Investment |
| 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

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