31 DECEMBER 2022

FP MATTIOLI WOODS PASSIVE CAUTIOUS

MATTIOLI WOODS FUNDS

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 occur 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.

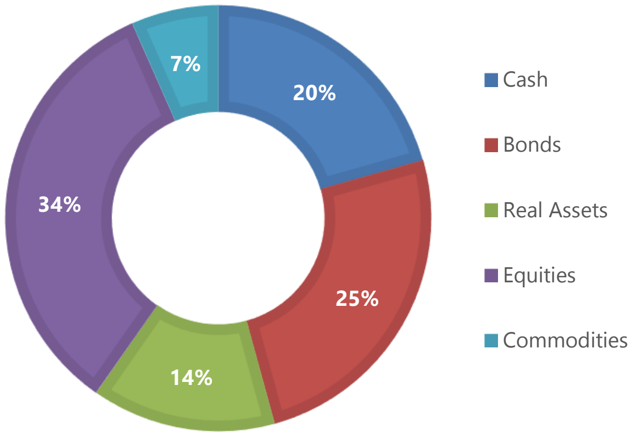
FUND REVIEW

While the Fund did generate a negative return for the month, it mitigated much of the fall seen from the benchmark. Our current cautious approach to asset allocation, encompassing a more conservative equity exposure and higher cash weighting than many peers, was responsible for much of 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 commercial property, infrastructure and physical gold. 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.

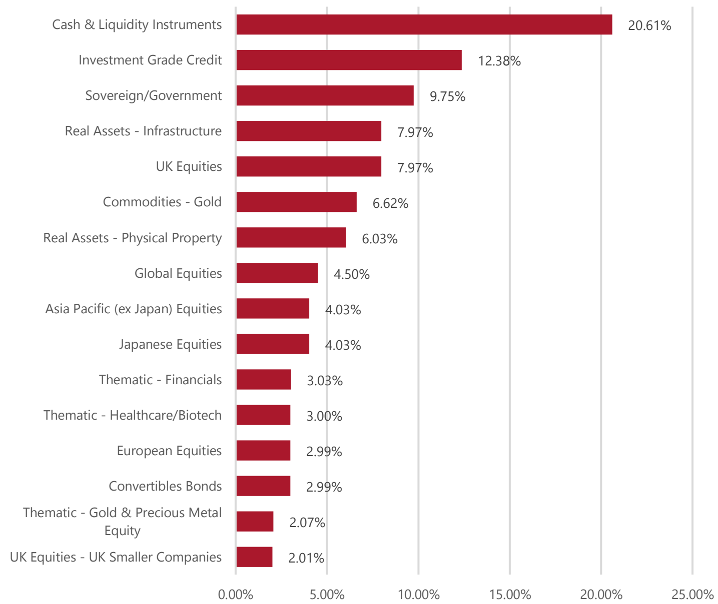
ACTIVITY

There were no asset allocation changes made this month and activity was focused solely on the investment of inflows. We slightly tweaked our approach to fixed income, in particular high quality investment grade bonds. Previously we have targeted a specific bond duration (broadly, duration represents how sensitive a bond's price is to changes in interest rates). With bond yields now roughly similar regardless of duration, we have removed this requirement, providing a more flexible approach to interest rate sensitivity.

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 31.12.2022

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.

RISK METRICS as at 31.12.2022

Risk metrics will not be published until the Fund has been running for a full 12-month period.

TOP TEN HOLDINGS as at 31.12.2022

Holding	Percentage
L&G Short Dated Sterling Corporate Bond Index C Inc	8.44%
L&G Global Infrastructure Index C Inc	7.97%
L&G UK Index Trust C Inc	7.97%
JPM Betabuilders US Treasury Bond UCITS ETF - GBP Hedged	7.57%
iShares Physical Gold ETC GBP	6.62%
iShares UK Property UCITS ETF GBP	6.03%
Lyxor Core MSCI World (DR) UCITS ETF GBP	4.50%
UBS (Irl) Fund Solutions plc - MSCI AC Asia ex Japan SF UCITS ETF (USD) A Acc	4.03%
L&G Japan Equity UCITS ETF	4.03%
iShares Corporate Bond Index (UK) D Inc	3.94%

FUND CHARGES

	B	C
Ongoing charges figure (% p.a.)	0.53%	0.28%
Annual management charge (% p.a.)	0.40%	0.15%
Initial fee	0.00%	0.00%

FUND CODES

	ISIN	SEDOL
B Inc	GB00BNGB2236	BNGB223
C Inc	GB00BNGB2343	BNGB234

FUND AIM

The investment objective of the Fund is to preserve capital and generate capital growth (the increase in value of investments) over an investment term in excess of five years and to generate income (money paid out by an investment, such as interest from a bond or a dividend from a share). It is not guaranteed that the Fund will achieve its objective of capital preservation. Capital growth will be prioritised over income generation.

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 solutions, typically index trackers, 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, Lauren Wilson and Mark Moore
Fund size:	£0.383 million
No. of holdings:	17
Sector:	IA Flexible Investment
Benchmark:	IA Mixed Investments 20-60% Shares
Distribution policy:	Half-yearly
Payment dates:	March and September
XD date:	February and August
Launch date:	21 March 2022
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.**
- **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