31 DECEMBER 2022

MATTIOLI WOODS FUNDS

# FP MATTIOLI WOODS RESPONSIBLE EQUITY FUND

## 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.

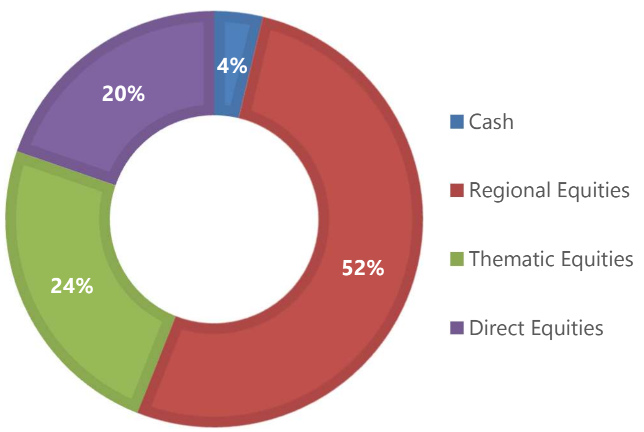
### FUND REVIEW

Most investors will be glad to see the back of 2022. It has been a turbulent year, with the Russia/Ukraine war coming hot on the heels of the COVID pandemic. The ensuing surge in oil and gas prices has hit consumers hard in the pocket, so our defensive stance on the Fund has been somewhat vindicated. While the Responsible Equity Fund is down 8.39% on the year, it is well ahead of its benchmark, the IA Global index, which fell 11.06% during 2022. This is despite the headwinds of the best performing sectors being oil and gas, and defence and tobacco which are not directly held in the Fund. December was a quiet month in terms of portfolio activity. On the UK direct equity side, we sold our holding of FRP, which had been a good performer but had reached our target price. In the final quarter of the year, we received bids for Devro and Curtis Banks. The takeover panel has increased the date by which Nucleus has to make an offer for Curtis Banks so we should hear further news shortly. We await to see if there is a counterbid for Devro. On the Global Funds side, the biggest holding is BNY Sustainable Global Value at over 8%, followed by Schroder Global Sustainable Value at 7.5%. Both these funds have a 'value bias', which has helped them over the course of 2022 and leaves them well positioned for 2023 in our view, as the discrepancy between the valuation of value and growth styles remains at very wide levels.

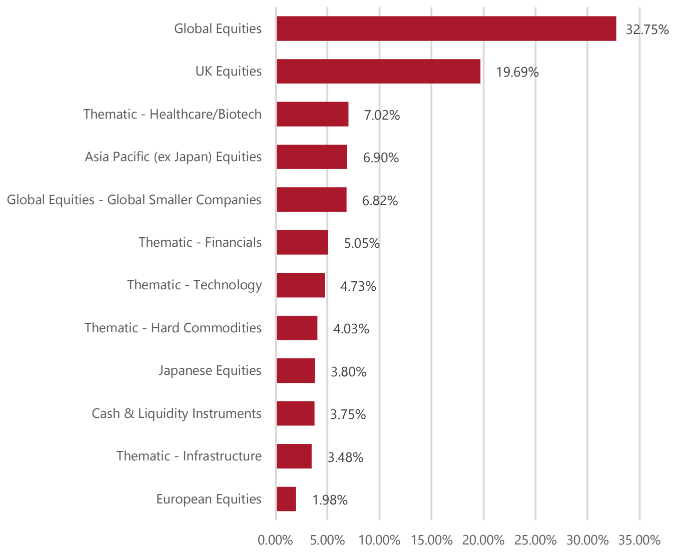
### ENGAGEMENT

We engaged with Saietta, Lloyds Bank, DWF and GSK over the month, all of which were reassuring and positive meetings. Saietta has seen disappointing share price performance since purchase, despite gaining new contracts with significant global companies for its electric motor technology. While the company is at the forefront of EV technology in terms of its product range, the company could sharpen up its own ESG policies. We will look to engage with the company here if possible. It was good to hear that ESG continues to be a differentiator for DWF in pitches for new business. We regard DWF as a leader in ESG within the legal profession and think the evidence is strong that good ESG practices lead to enhanced financial performance.

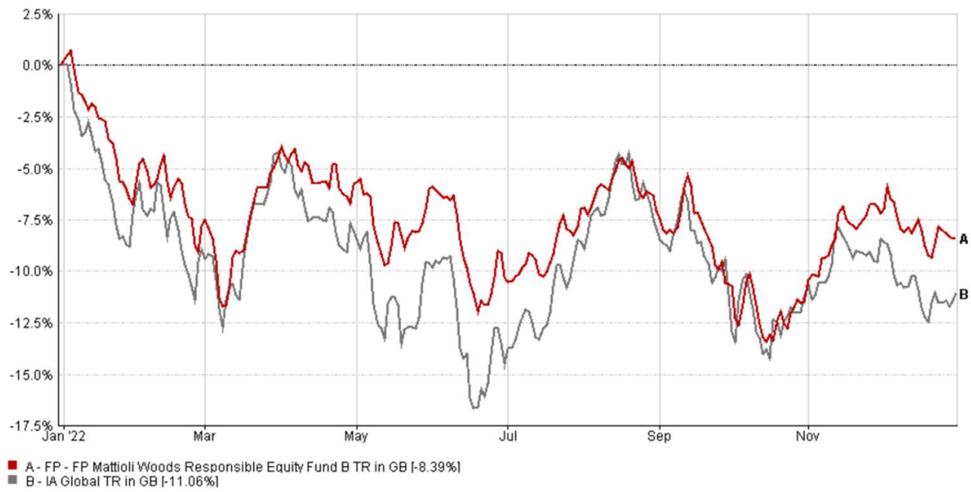
## ASSET ALLOCATION




## FUND COMPOSITION




## FUND PERFORMANCE




31/12/2021 - 30/12/2022 Data from FE fundinfo2023

## CUMULATIVE PERFORMANCE as at 31.12.2022

| | 1 month | 3 months | 6 months | 1 year | 3 years |
|---|---|---|---|---|---|
| **Fund** | -1.33 | 2.63 | 2.11 | -8.39 | |
| **Benchmark** | -2.88 | 2.19 | 4.02 | -11.06 | 20.64 |

## ANNUAL PERFORMANCE

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|
| **Fund** | -8.39 | | | | |
| **Benchmark** | -11.06 | 17.68 | 15.27 | 21.92 | -5.72 |

## TOP TEN HOLDINGS as at 31.12.2022

| Holding | Percentage |
|---|---|
| BNY Mellon Sustainable Global Equity Income I W Inc | 8.03% |
| Schroder Global Sustainable Value | 7.49% |
| Impax Global Equity Opportunity X Acc | 7.30% |
| Polar Capital Healthcare Opportunities I Inc | 7.02% |
| Stewart Investors Asia Pacific Sustainability B Acc | 6.90% |
| BMO SDG Engagement R Inc | 6.82% |
| Regnan Global Impact A Acc | 5.08% |
| Polar Capital Global Insurance I Inc GBP | 5.05% |
| Janus Henderson Global Sustainable Equity I Inc | 4.85% |
| Janus Henderson Sustainable Future Technologies G Acc | 4.73% |

## TOP TEN UK DIRECT EQUITY HOLDINGS as at 31.12.2022

| Holding | Percentage |
|---|---|
| AstraZeneca plc | 1.08% |
| Coats Group plc | 1.03% |
| XPS Pensions Group plc | 1.02% |
| Smith & Nephew plc | 1.00% |
| Unilever plc | 0.96% |
| Lloyds Banking Group plc | 0.83% |
| GlaxoSmithKline plc | 0.81% |
| Grainger plc | 0.81% |
| Prudential plc | 0.77% |
| National Express Group plc | 0.72% |

## 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:** | £8.46 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:** | 20 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** | 1.00% |
| **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**