28 FEBRUARY 2023

MATTIOLI WOODS FUNDS

FP MATTIOLI WOODS BALANCED

FUND MANAGER COMMENTARY

MARKET REVIEW

Following what had been a bright start to the year, inflationary clouds rolled in once more to dampen spirits. Through January, the prevailing view was central banks had sufficiently tightened monetary policy, via a raising of interest rates, to stem inflation. The hard work was near complete and financial markets expected a couple more well-telegraphed rate rises in the US before peak rates were reached. That view came crashing down in February. Though inflation is indeed slowing (predominantly goods inflation), rising prices in the service sector are proving harder to control. Consequently, the January US consumer price inflation (CPI) reading came in ahead of forecast. When allied to a strong labour market report and solid retail sales data, financial markets swiftly priced in a later peak in US interest rates and a likelihood of rates being held higher for longer. This re-evaluation of future rate expectations triggered a sell-off across most equity regions and resulted in bond yields moving sharply upwards, with bond prices falling in response. The strength of the US economy through this environment of higher rates is proving a puzzling aspect for the country's policymakers. It seems likely that the lagged effect of monetary tightening to date is still to be realised. While it could be argued the Federal Reserve (and several other central banks) were initially slow to respond to surging inflation, rates were subsequently raised swiftly, and being more aggressive now, without sight of the impact, may create deeper problems.

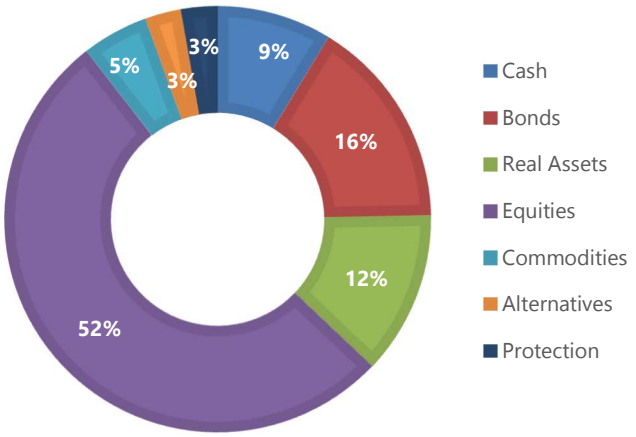
FUND REVIEW

The Fund underperformed its benchmark this month, which is a disappointing outcome considering we are positioned cautiously at present. Though we provided mitigation against falls in the equity space, via a lower equity weighting than many peers, we were exposed to a falling gold price through our large position in physical gold and similarly through our holding of Jupiter Gold & Silver. Rising bond yields were detrimental to non-yielding gold, as was a stronger US dollar (as a typically US dollar denominated asset, gold buying tends to increase when the dollar is weaker). We continue to believe a position in gold remains appropriate, given the potential for geopolitical turmoil, due to its safe haven characteristics. Elsewhere, there were falls across most equity sectors and regions, though UK and European equities held-up significantly better than those in Asia, which underwent the largest drops. A mild winter combined with strong labour markets is supporting positive consumer behaviours across Europe, while the nature of many European stock markets mean they are skewed towards the beneficiaries of rising interest rates.

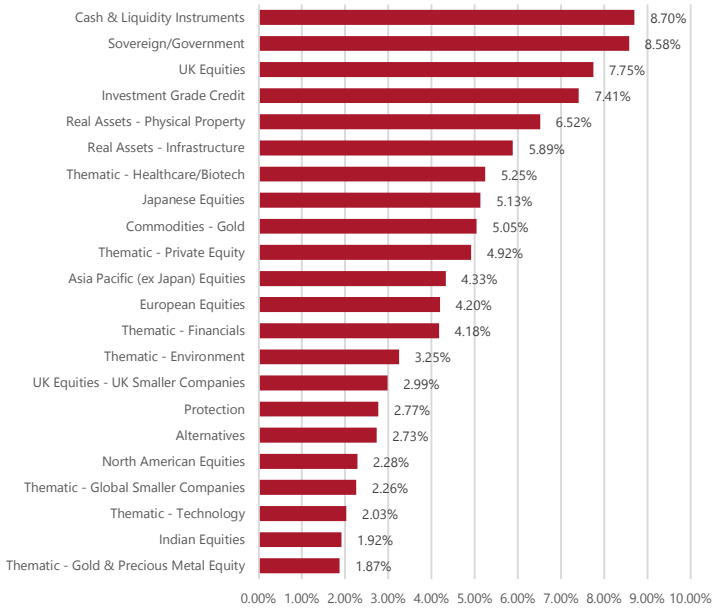
ACTIVITY

We made an asset allocation change this month to exit our position in convertible bonds, with a corresponding increase in investment grade bonds. With convertible bonds offering no yield and a difficult period ahead for many of the companies that issue these bonds, the higher quality and attractive yield on offer from investment grade bonds is more appealing. As a result, we sold our entire holding in Calamos Global Convertibles. To mitigate the interest rate sensitivity intrinsic to investment grade bonds, we added to our holding in Legal & General Short Dated Sterling Corporate Bond Index – duration (broadly, how sensitive a bond's price is to changes in interest rate) here is around half that of standard investment grade indices, so we mitigate overall interest rate risk. Elsewhere, we trimmed exposure to Polar Capital Global Insurance, taking profit after a strong 12 months, with the proceeds used to top-up our holding in HarbourVest Global Private Equity, where we see opportunity in the disparity between the trust's price and the value of its underlying assets.

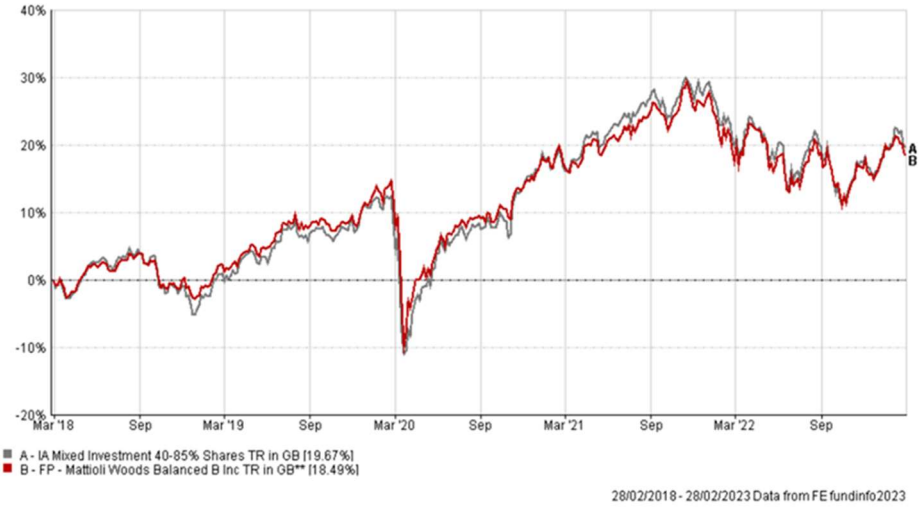
ASSET ALLOCATION



FUND COMPOSITION



FUND PERFORMANCE



Data quoted on this fact sheet relates to the B Inc share class but please note that information prior to 31 July 2017 is based on the B Acc share class.

CUMULATIVE PERFORMANCE as at 28.02.2023

	1 month	3 months	6 months	1 year	3 years
Fund	-0.89	1.66	0.28	-0.72	8.22
Benchmark	-0.31	1.66	0.59	-1.02	14.02

Performance Data: Share Class B Inc

ANNUAL PERFORMANCE

	2022	2021	2020	2019	2018
Fund	-8.80	9.52	4.39	14.62	-4.07
Benchmark	-10.04	10.94	5.32	15.78	-6.11

Performance Data: Share Class B Inc

RISK METRICS as at 28.02.2023

	3 years
Annual volatility	10.68
Maximum drawdown	-11.80
Sharpe ratio	0.13

Metrics annualised over three years for Share Class B Inc

TOP TEN HOLDINGS as at 28.02.2023

Holding	Percentage
JPM Betabuilders US Treasury Bond UCITS ETF - GBP Hedged	6.65%
Polar Capital Healthcare Opportunities I Inc	5.25%
iShares Physical Gold ETC GBP	5.05%
Polar Capital Global Insurance I Inc GBP	4.18%
FP Mattioli Woods Property Securities M Inc	3.94%
L&G Short Dated Sterling Corporate Bond Index C Inc	3.68%
JOHCM UK Dynamic X Inc	3.35%
Ninety One Global Environment K Inc	3.25%
LF Ruffer Diversified Return I Inc	2.77%
Atlantic House Defined Returns B GBP Acc	2.73%

FUND CHARGES

	B	C	D	E
Ongoing charges figure (% p.a.)	1.25%*	0.94%	1.72%	2.05%
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 1.23% or lower depending on cross investment reduction.

FUND CODES

	ISIN	SEDOL
B Inc	GB00BF475Y04	BF475Y0
C Acc	GB00B5ZMXX91	B5ZMXX9
C Inc	GB00BF475Z11	BF475Z1
D Inc	GB00BZCN8H48	BZCN8H4
E Inc	GB00BZCN8J61	BZCN8J6

FUND AIM

The investment objective of the Fund is to preserve capital and generate income and capital growth over the long term.

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:	£937.01 million
No. of holdings:	42
Sector:	IA Mixed Investments 40-85% Shares
Benchmark:	IA Mixed Investments 40-85% Shares
Distribution policy:	Half-yearly
Payment dates:	March and September
XD date:	February and August
Launch date:	3 March 2009
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