

**FP MATTIOLI WOODS
PASSIVE 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.

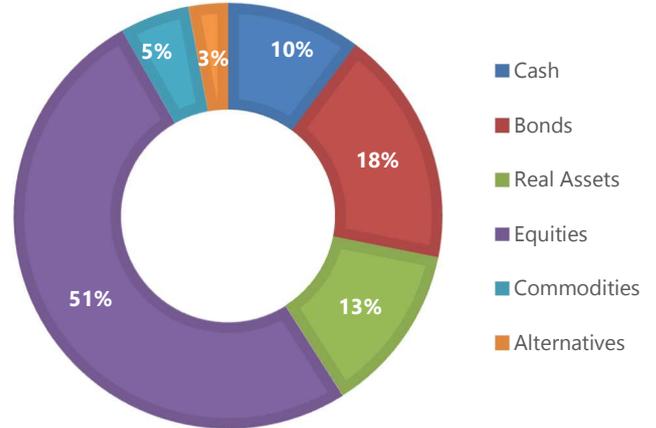
FUND REVIEW

The Fund broadly performed in line with its benchmark this month, which is slightly disappointing considering we are positioned cautiously at present. While 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. 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.

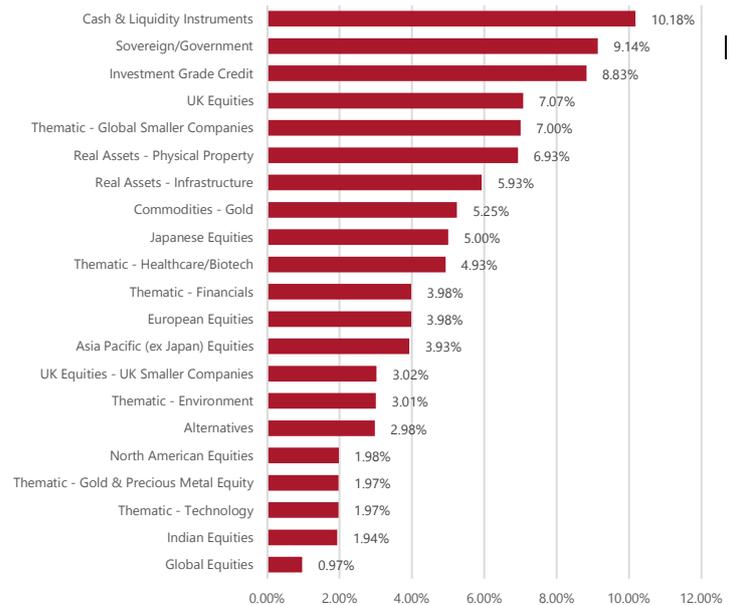
ACTIVITY

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. We are managing our interest rate sensitivity by complementing our position in iShares Corporate Bond Index with a holding in L&G Short Dated Corporate Bond Index where duration (broadly, how sensitive a bond's price is to changes in interest rate) is around half that of standard investment grade indices, allowing us to mitigate overall interest rate risk.

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 28.02.2023

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 28.02.2023

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TOP TEN HOLDINGS as at 28.02.2023

Holding	Percentage
L&G UK Index Trust C Inc	7.07%
iShares MSCI World Small Cap UCITS ETF GBP	7.00%
iShares UK Property UCITS ETF GBP	6.93%
JPM Betabuilders US Treasury Bond UCITS ETF - GBP Hedged	6.57%
L&G Global Infrastructure Index C Inc	5.93%
L&G Short Dated Sterling Corporate Bond Index C Inc	5.52%
iShares Physical Gold ETC GBP	5.25%
L&G Japan Equity UCITS ETF	5.00%
L&G Global Health & Pharmaceuticals Index Trust C Inc	4.93%
SPDR S&P US Dividend Aristocrats UCITS ETF	3.98%

FUND CHARGES

	B	C
Ongoing charges figure (% p.a.)	0.55%	0.30%
Annual management charge (% p.a.)	0.40%	0.15%
Initial fee	0.00%	0.00%

FUND CODES

	ISIN	SEDOL
B Inc	GB00BNGB2459	BNGB245
C Inc	GB00BNGB2566	BNGB256

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:	£2.22 Million
No. of holdings:	21
Sector:	IA Flexible Investment
Benchmark:	IA Mixed Investments 40-85% 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

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