30 APRIL 2023

MATTIOLI WOODS
FUNDS

FP MATTIOLI WOODS
PASSIVE BALANCED

FUND MANAGER COMMENTARY

MARKET REVIEW

Most equity markets made gains through April, even as the banking turmoil that claimed several high-profile victims in March simmered away in the background. Broadly, returns represented a more optimistic outlook for the future path of interest rates in the US. Economic data still looks resilient; however, bank failures are likely to lead to credit tightening, restricting the ability of corporates and individuals to borrow. In response, markets were willing to price in peak US interest rates with greater conviction. It is now widely anticipated that May's US Federal Reserve (Fed) rate setting meeting will bring the final and tenth rate hike of this cycle, after which the Fed are expected to pause. While US inflation does remain elevated, it is falling as the impact of energy price rises through the first quarter of 2022 falls out of the year-on-year data. In the UK, the inflationary and interest rate picture looks a little more uncertain – it seems likely rate hikes continue beyond the point at which the Fed pause. UK inflation remains an outlier, due in some part to the energy price cap; however, food price inflation and solid wage growth are generating upside pressure. It should be reasonably expected that the Bank of England will have little choice but to continue with 0.25% rises to maintain some semblance of control. Leaving rates aside, another decent month for equity returns, with Asian equities the only real weak spots as ongoing tension between the US and China weighed on the region. Global bond returns were mixed, yields had moved lower through March as issues in the banking sector provided early signs of an economic slowdown but were broadly flat through April.

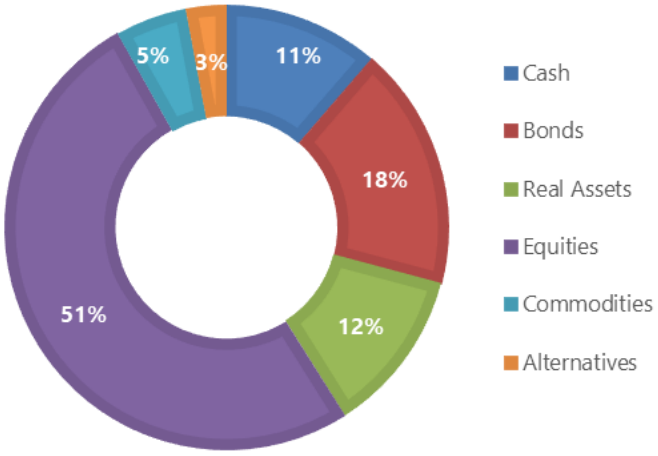
FUND REVIEW

The Fund delivered a positive return this month, additionally outperforming the average of the peer group that represents our benchmark. Most equity and bond positions delivered positively. Interestingly, holdings that detracted significantly in March, particularly property and infrastructure, staged a rally to contribute handsomely to overall return. Similarly, UK equities contributed well after detracting in March – partially a consequence of solid results in the UK banking sector, which assuaged some of the concern that events in the US domestic banking space could spread. Further, value stocks (broadly companies whose price trades below what fundamentals imply) outperformed growth stocks this month. A boon for the UK market, which is heavily exposed to traditional value sectors such as energy and mining. That did mean poor returns this month for growth sectors such as environmental equities and global smaller companies. Asian equities were one of the few equity regions to deliver a negative return, as tensions surrounding Chinese overtures towards Taiwan weighed heavily. This came even as the Chinese economy posted strong first quarter economic data after the country emerged from its zero-Covid policy. Our bond positions delivered positively – though bond yields barely moved over the month, the attractive income currently on offer is providing an excellent monthly return.

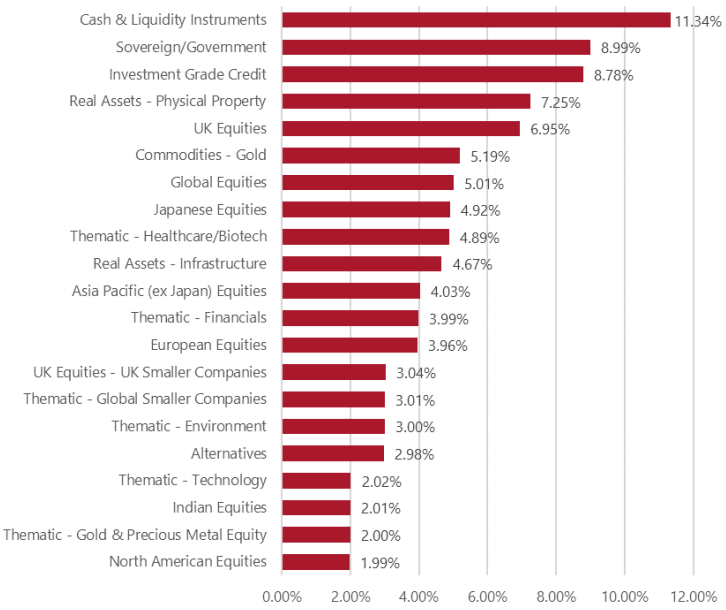
ACTIVITY

There were several asset allocation changes this month, broadly a continuation of moves to position the Fund for a more challenging equity environment. We reduced our overall global smaller companies position. As global growth slows, it is likely smaller companies will struggle relative to larger peers, so we cut overall exposure in advance. Proceeds from the reduction have been invested into a global equity strategy with an income skew, providing exposure to cash flow generative companies, typically established and larger in nature, that tend to be more defensive than the broader market. Additionally, we have reduced our exposure to infrastructure, with the proceeds held in cash – the latter providing a similarly attractive income without additional capital risk. Elsewhere, we exited our position in the iShares $ Treasury Bond 1-3yr ETF, with the proceeds used to initiate a position in the iShares $ Treasury Bond 7-10yr ETF – this move increases the interest rate sensitivity of the Fund. As inflation in the US slows and US interest rates come closer to peaking, we become more comfortable with increasing our duration (interest rate sensitivity).

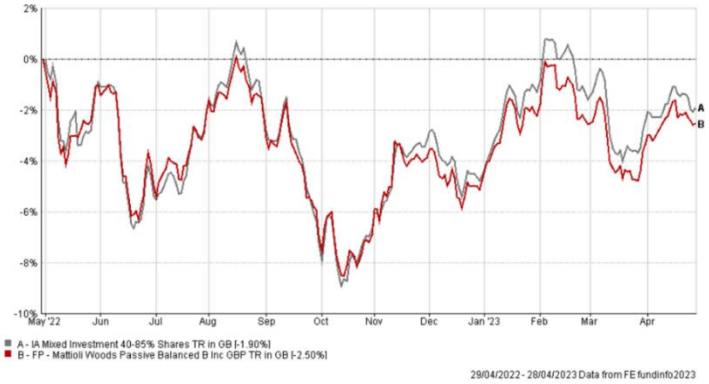
ASSET ALLOCATION



FUND COMPOSITION



FUND PERFORMANCE



Source: Financial Express, bid-to bid, net income reinvested, sterling terms. Performance is quoted net of fees.

CUMULATIVE PERFORMANCE as at 30.04.2023

	1 month	3 months	6 months	1 year	3 years
Fund	0.88	-0.28	4.73	-2.50	
Benchmark	0.58	-0.62	5.13	-1.90	19.01

Performance data: Share Class B Inc

ANNUAL PERFORMANCE

	2022	2021	2020	2019	2018
Fund					
Benchmark	-10.04	10.94	5.32	15.78	-6.11

RISK METRICS as at 30.04.2023

	1 year
Annual volatility	8.61
Maximum drawdown	-6.94
Sharpe ratio	0.00

Metrics annualised over three years for Share Class B Inc

TOP TEN HOLDINGS as at 30.04.2023

Holding	Percentage
iShares UK Property UCITS ETF GBP	7.25%
JPM Betabuilders US Treasury Bond UCITS ETF - GBP Hedged	6.99%
L&G UK Index Trust C Inc	6.95%
L&G Short Dated Sterling Corporate Bond Index C Inc	5.52%
iShares Physical Gold ETC GBP	5.19%
L&G Japan Equity UCITS ETF	4.92%
L&G Global Health & Pharmaceuticals Index Trust C Inc	4.89%
L&G Global Infrastructure Index C Inc	4.67%
UBS (Irl) Fund Solutions plc - MSCI AC Asia ex Japan SF UCITS ETF (USD) A Acc	4.03%
Vanguard FTSE All World High Dividend Yield UCITS ETF	4.02%

FUND CHARGES

	B	C
Ongoing charges figure (% p.a.)	0.57%	0.32%
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:	£3.06 Million
No. of holdings:	22
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
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

MORE INFORMATION

If you have any issues with this document, please contact Mattioli Woods plc.

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