31 OCTOBER 2023

FP MATTIOLI WOODS
RESPONSIBLE EQUITY FUND

MATTIOLI WOODS FUNDS

FUND MANAGER COMMENTARY

MARKET REVIEW

Continuing the premise that emerged in September, most assets underwent falls this month as investors priced the impact of interest rates being held at current levels further into 2024. Further, some markets were buffeted by events in the Middle East where the Israel-Hamas conflict resulted in investors shedding certain stocks and bonds for other 'safe haven' assets. The main causes of higher-for-longer rates have been discussed before, but broadly are a resilient US economy and persistently elevated inflation. The US economy, which is being supported by strong consumer activity, delivered an impressive 4.9% annualised growth in Q3, well above expectation and much higher than the 2.1% growth seen during Q2. Additionally, US consumer price inflation remained static for the month of September, registering the same 3.7% year-on-year rate seen in August. With US Federal Reserve chair Jerome Powell reiterating the central bank's commitment to returning inflation to the 2% target level, financial markets reshaped the timeline for potential interest rate cuts, pushing them further out. Longer maturity bonds were most detrimentally impacted; here we are seeing both the impact of strong economic growth and a market insisting on a larger premium to lend to heavily indebted governments for longer periods. This story of market demand and increased issuance in the sovereign bond space has further to run, and we expect to see more volatility here as the 2024 UK and US elections move into view.

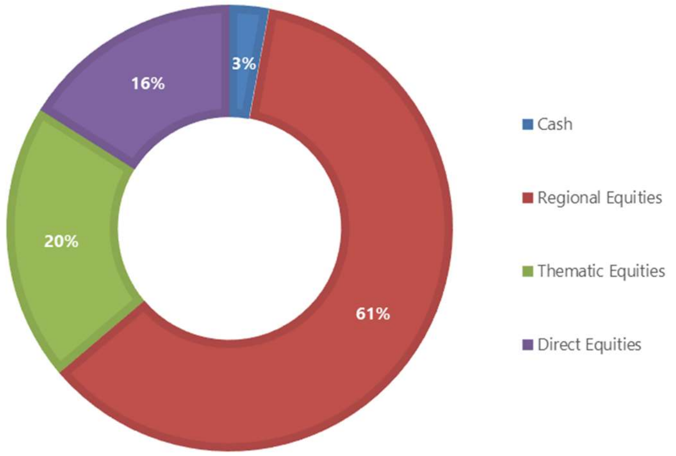
FUND REVIEW

The continued uncertainty over whether interest rates have peaked in the USA, Europe and the UK made for a choppy stockmarket in October. It is also difficult to select themes with any confidence, as is the case when markets are at turning points. Our blend of 'growth' and 'value' helps us to navigate the peaks and troughs in this turbulent environment. On the Funds side of the portfolio, which makes up the substantial majority, we have not made any major changes and any inflows are invested among the existing funds we hold. We still favour a core of global funds and a satellite of thematic funds. Our global funds are a blend of styles and form a solid core to the portfolio while the thematic funds are tapping into long-term growth themes. While there have been a plethora of thematic funds launched in the responsible/sustainable area of the market, we have avoided the more narrow, speculative areas such as 'smart cities', 'water and waste' and 'food and agriculture' and focused on those areas in which we have highest conviction, like 'healthcare' and 'insurance'. On the equity side, we accepted a bid from Private Equity for our holding in DWF. While we were disappointed by the price, there was little option other than to accept the offer. In a people business, when the majority of the senior personnel have voted in favour, a failure of the bid would have led to considerable uncertainty and almost certainly a dividend cut. We saw a sharp fall in the Renewi share price during the month as MacQuarie confirmed they were no longer interested in bidding for the company.

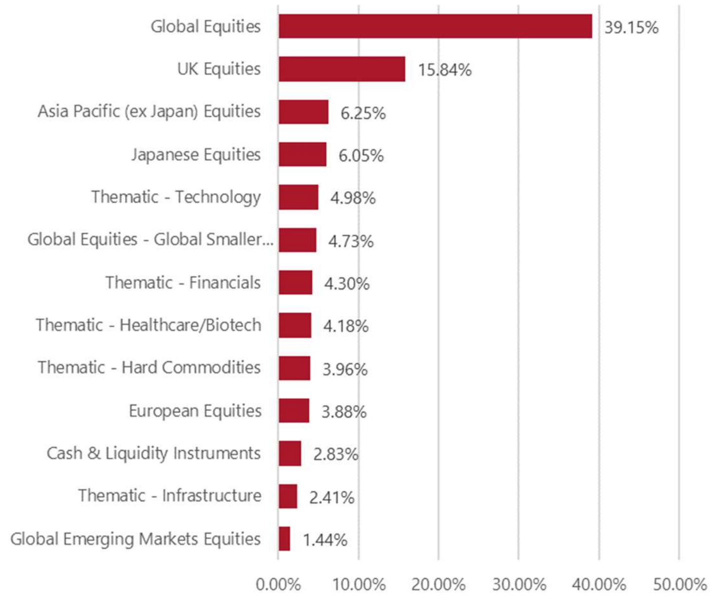
ENGAGEMENT

We engaged with Edentree and Carmignac over the possible inclusion of their European Fund offering. We have not reached a conclusion yet as to whether to include either on our Preferred Investment List. We met with the new CEO and Chairman of Saietta, which has been a disappointing investment for the Fund. There has been a change of strategy at the company and the new CEO is experienced in automotive and wider industry. However, the risk remains that they will continue to tap shareholders for money until the company reaches breakeven. The frustration is that while their technology is proven and orders are being received, the process of bringing the product to market requires investment, which may hinder progress in the shares.

ASSET ALLOCATION

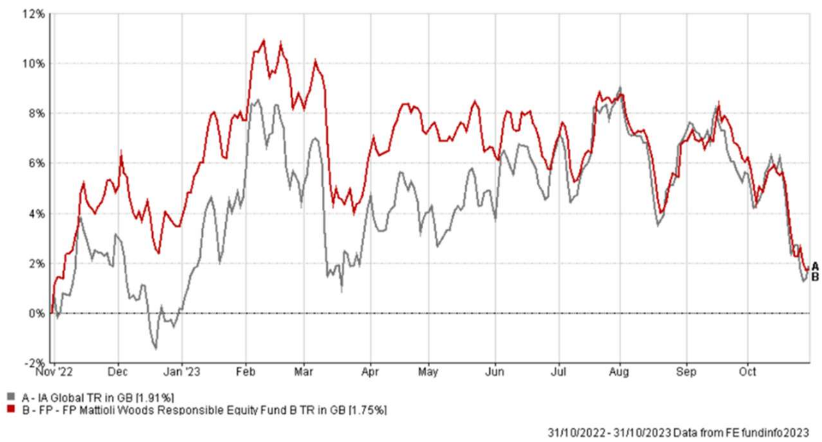


FUND COMPOSITION



Due to rounding, figures above may not equal 100%

FUND PERFORMANCE



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

CUMULATIVE PERFORMANCE as at 31.10.2023

	1 month	3 months	6 months	1 year	3 years
Fund	-4.04	-6.26	-5.07	1.75	
Benchmark	-3.54	-6.29	-2.04	1.91	18.98

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 31.10.2023

Holding	Percentage
Schroder Global Sustainable Value	9.13%
BNY Mellon Sustainable Global Equity Income I W Inc	8.90%
Impax Global Equity Opportunity X Acc	6.61%
Nomura Global Sustainable Equity F GBP	6.27%
Stewart Investors Asia Pacific Sustainability B Acc	6.25%
Janus Henderson Sustainable Future Technologies G Acc	4.98%
BMO SDG Engagement R Inc	4.73%
Janus Henderson Global Sustainable Equity I Inc	4.41%
Polar Capital Global Insurance I Inc GBP	4.30%
Polar Capital Healthcare Opportunities I Inc	4.18%

TOP TEN UK DIRECT EQUITY HOLDINGS as at 31.10.2023

Holding	Percentage
GlaxoSmithKline plc	0.88%
Coats Group plc	0.87%
AstraZeneca plc	0.82%
Aviva plc	0.81%
Marks & Spencer Group plc	0.81%
Grainger plc	0.79%
XPS Pensions Group plc	0.72%
Tesco plc	0.70%
Smith & Nephew plc	0.69%
Prudential plc	0.65%

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 five-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:	£10.18 million
No. of holdings:	47
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	1.08%
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 Supplementary Information Document. A list of risk factors is detailed in the Supplementary Information Document, 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 an individual investor's circumstances. If you are unsure about any information contained within this document, you should take financial advice.**

Sources: FE Fundinfo

MORE INFORMATION

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