31 JULY 2023

FP MATTIOLI WOODS BALANCED

MATTIOLI WOODS FUNDS

FUND MANAGER COMMENTARY

MARKET REVIEW

Most equity markets delivered positively for the month, and in a departure from the norm, it was Asian and emerging market equities that delivered the strongest returns. This came in stark contrast to the dynamic seen year to date where, broadly, a narrow set of US stocks with some linkage to the usage of artificial intelligence has led market returns. Asia, until now, had been dragged down by its largest economy, China, which is struggling to generate growth following Covid-19 reopening. The announcement of stimulus measures and policy easing by Chinese authorities was therefore widely welcomed, though we note challenges remain and many data points remain weak. Much of the country's exceptional growth in recent decades has been driven by leveraged infrastructure spend, particularly in the property sector, and a desire to establish a more sustainable borrowing environment will likely dampen future growth potential. Elsewhere, inflation and the interest rate outlook continue to shape returns across many asset classes. Softness in US inflation, allied to an economy that is still generating growth, suggests the US may yet avoid recession, providing a further boost to equity markets. The US Federal Reserve this month completed what markets hope may be its final rate rise of this cycle. Closer to home, below forecast UK inflation data indicates the Bank of England's work is finally being reflected in the data. As a result, markets swiftly priced a lower peak in interest rates – perhaps some relief for the squeezed UK consumer. We should though remind people of the lag between rate rises and economic effects, often as much as 12 months.

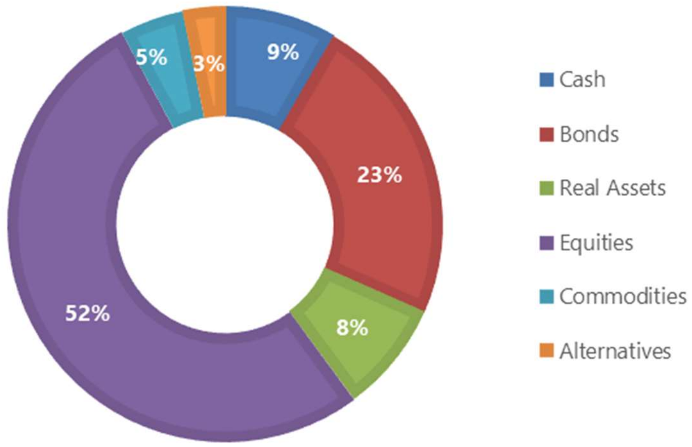
FUND REVIEW

The Fund delivered a positive return for the month and outperformed marginally versus its benchmark, which represents the average of our peer group. There were positive contributions from most holdings. Sectors that have failed to deliver in recent months, particularly UK assets such as property and smaller companies, delivered strongly as UK inflation surprised on the downside. Similarly, Asian equity positions contributed handsomely. This is a pleasing development as it suggests we are finally seeing pricing outside the US better represent fundamentals. Fixed income returns were mixed with higher US bond yields, as a result of a resilient economy, resulting in our US Treasury bonds position delivering negatively. Conversely, sterling corporate bonds were much stronger, while our recently added position in emerging market debt was boosted by improved risk sentiment and a weaker US dollar.

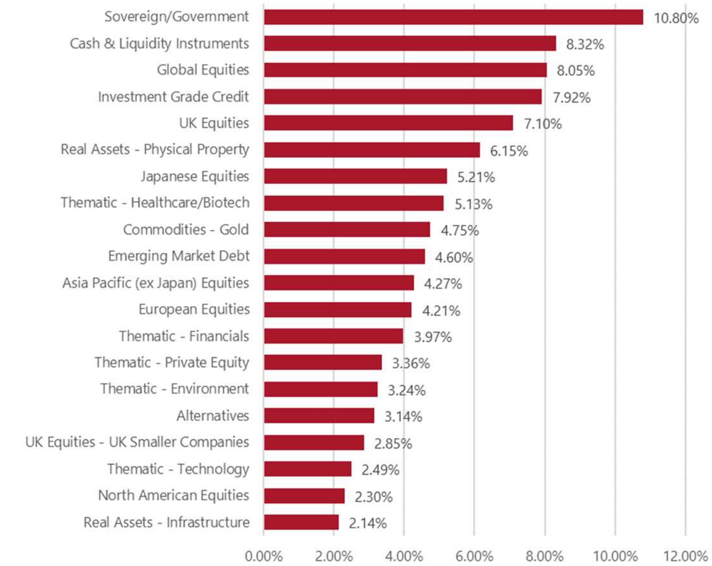
ACTIVITY

We made several asset allocation changes this month. The first, a reduction in our infrastructure exposure, with the proceeds used to top up emerging market debt. While we do still like many of the characteristics of infrastructure, including current valuations across the space and the intrinsic inflation linkage, we are now able to achieve similar income generation from fixed income assets. Emerging market debt was added to the Fund last month and is a sector in which we see many tailwinds including a healthy income, rate cuts from emerging market central banks and a structural decline in the US dollar. To complete the move, we topped up our position in M&G Emerging Markets Bond – a well-managed fund that invests across the entire emerging market debt universe. Further, we exited our gold equity exposure, where we are seeing increased volatility. Proceeds were used to top up our global equity position; here we are applying a large-cap income skew, an approach that should bolster the quality and defensiveness of the Fund.

ASSET ALLOCATION

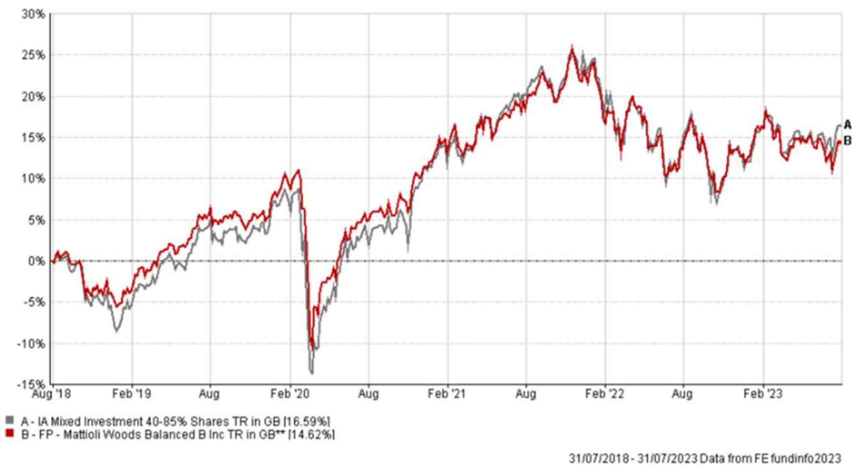


FUND COMPOSITION



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.

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

CUMULATIVE PERFORMANCE as at 31.07.2023

	1 month	3 months	6 months	1 year	3 years	5 years
Fund	1.82	0.29	-1.30	0.44	9.20	14.62
Benchmark	1.74	1.32	0.70	1.50	14.41	16.59

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 31.07.2023

	3 years
Annual volatility	7.36
Maximum drawdown	-11.63
Sharpe ratio	0.23

Metrics annualised over three years for Share Class B Inc

TOP TEN HOLDINGS as at 31.07.2023

Holding	Percentage
JPM Betabuilders US Treasury Bond UCITS ETF - GBP Hedged	7.92%
Royal London Sterling Credit Z Inc	5.96%
Polar Capital Healthcare Opportunities I Inc	5.13%
iShares Physical Gold ETC GBP	4.75%
M&G Emerging Markets Bond PP Inc	4.60%
BNY Mellon Global Income	4.27%
Polar Capital Global Insurance I Inc GBP	3.97%
Vanguard FTSE All World High Dividend Yield UCITS ETF	3.78%
FP Mattioli Woods Property Securities M Inc	3.76%
Ninety One Global Environment K Inc	3.24%

FUND CHARGES

	B	C	D	E
Ongoing charges figure (% p.a.)	1.18%	0.93%	1.68%	2.03%
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.

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 an investment term in excess of five years.

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 and Mark Moore
Fund size:	£921.04 million
No. of holdings:	38
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 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 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.