31 JULY 2023

MATTIOLI WOODS FUNDS

FP MATTIOLI WOODS CAUTIOUS

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.

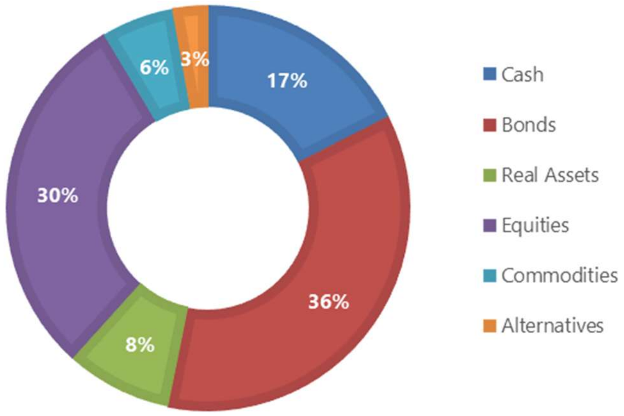
FUND REVIEW

The Fund delivered a positive return for the month, though we did underperform slightly versus our 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, particularly shorter-dated bonds (those closer to maturing) as yields in this segment moved markedly lower due to a repricing of peak UK interest rates.

ACTIVITY

We made several asset allocation changes this month, which see us taking further advantage of yields on offer from income paying assets, including cash and via a new position in emerging market debt. Following last month's reduction to our protection exposure, we have now fully exited the position. We held protection, broadly risk-managed vehicles seeking to achieve a cash-plus type return, when bond yields and cash rates were negligible – now we are in an entirely different environment. Further, we halved our exposure to infrastructure, again seeing better opportunities in other income generating assets. Emerging market debt offers an attractive yield and is benefiting from a structural weakening of the US dollar, after a period in which the greenback has dominated currency markets. Additionally, many large emerging market economies were 'early-hikers' – raising interest rates markedly as inflation took off, rather than arguing inflationary pressures were transitory and only acting once it had become embedded. As inflation subsides, those same economies are well placed to cut rates, giving potential for capital returns in addition to that healthy income.

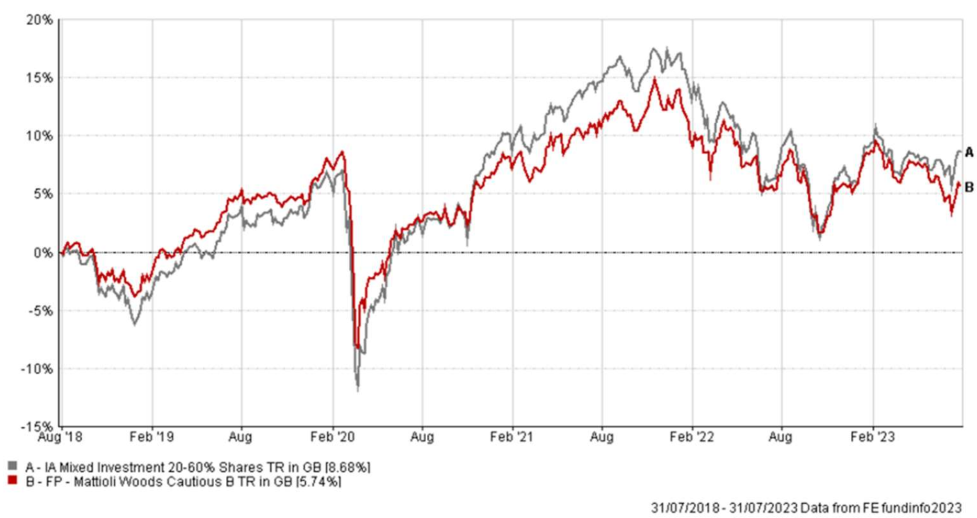
ASSET ALLOCATION



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 31.07.2023

	1 month	3 months	6 months	1 year	3 years	5 years
Fund	1.06	-1.54	-2.56	-1.00	2.98	5.74
Benchmark	1.42	0.45	-0.39	0.03	7.05	8.68

Performance data: Share Class B Inc

ANNUAL PERFORMANCE

	2022	2021	2020	2019	2018
Fund	**-7.01**	**5.98**	**1.09**	**10.56**	**-3.28**
Benchmark	**-9.47**	**7.20**	**3.51**	**11.84**	**-5.10**

Performance data: Share Class B Inc

RISK METRICS as at 31.07.2023

	3 years
Annual volatility	5.70
Maximum drawdown	-9.91
Sharpe ratio	0.00

Metrics annualised over three years for Share Class B Inc

TOP TEN HOLDINGS as at 31.07.2023

Holding	Percentage
Fidelity Short Dated Corporate Bond Fund W-INC-GBP	8.51%
JPM Betabuilders US Treasury Bond UCITS ETF - GBP Hedged	8.16%
Royal London Sterling Credit Z Inc	6.12%
iShares Physical Gold ETC GBP	5.81%
iShares US Treasury Bond 7-10 Years UCITS ETF GBP Hedged	5.48%
M&G Emerging Markets Bond PP Inc	5.03%
Goldman Sachs Sterling Liquid Reserves I Acc	4.78%
Morgan Stanley Liquidity Sterling Inst	4.59%
Chelverton UK Equity Income B Inc	3.35%
Polar Capital Global Insurance I Inc GBP	3.22%

FUND CHARGES

	B	C	E
Ongoing charges figure (% p.a.)	1.01%	0.76%	1.86%
Annual management charge (% p.a.)	0.40%	0.15%	1.25%
Initial fee	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	GB00BZCN8C92	BZCN8C9
C Inc	GB00BZCN8D00	BZCN8D0
E Inc	GB00BZCN8G31	BZCN8G3

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:	£217.99 million
No. of holdings:	28
Sector:	IA Flexible Investment
Benchmark:	IA Mixed Investments 20-60% Shares
Distribution policy:	Half-yearly
Payment dates:	March and September
XD date:	February and August
Launch date:	31 July 2017
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.