31 JULY 2022

MATTIOLI WOODS FUNDS

FP MATTIOLI WOODS PROPERTY SECURITIES FUND

FUND MANAGER COMMENTARY

MARKET REVIEW

Global equity markets delivered strong returns this month as investors began to factor in potential interest rate cuts in 2023. Higher rates have resulted in a repricing of many equity sectors, so the prospect of that headwind dissipating saw a return to those stocks that have undergone large falls. Growth stocks, where you pay now for future earnings growth, have struggled this year as rate expectations rose in response to elevated inflation. This month, those very same stocks outperformed significantly, based on this changed view on rates. Slowing economic data, particularly in the services sector, drove the belief central banks will not need to push rates considerably higher to control inflation. Much inflationary pressure is a result of supply-side issues and while it is unlikely those issues are entirely resolved, demand is being destroyed. Consumers are being pushed into a precarious position because of soaring energy prices, food-price inflation and elevated transport costs. The US has now entered a technical recession, defined as two consecutive quarters of negative economic growth – it seems only a matter of time before many European economies undergo a similar fate. Of course, equity markets are not entirely tied to economic conditions and broadly are forward looking, so the possibility of monetary easing, or rate cuts, provided investors some respite in a challenging environment. We believe this relief rally is not based on solid fundamentals, instead simply a prediction of central bank action. Taking a cautious stance, as we have done, appears correct – we note earnings downgrades have only just begun and there is no guarantee inflation will simply roll over allowing central banks to announce their job done.

FUND REVIEW

It has been a return to positive figures for the UK-listed property sector after three months of negative share price movements. Having traded sideways for the first half of the month, we saw a strong positive movement through to the end of July. In aggregate, the sector posted an increase of 8.67% over the month, driven predominantly by a rebound for the industrials, logistics and self-storage sector and most notably by Segro. Given our previous comments around the current characteristics and portfolio positioning of the Property Securities Fund, it is not surprising to repost that, while posting a positive return, the fund underperformed in the UK-listed property sector over the past month.

With only a month to go until the first birthday of the Fund, we are delighted we will be able to share performance figures with you from next month's fact sheet.

The steady rise of the UK-listed property sector in the second half of July coincided with investors starting to consider the potential interest cuts in 2023. Higher rates have resulted in a repricing of the listed property sector, so the prospect of that headwind dissipating saw a change in sentiment towards the sector and a rebound in share prices. With continued inflationary pressures and the prospect of earnings downgrades, it feels a bit premature to us and therefore we have maintained our more cautious stance with slightly elevated cash balances.

As referred to above and in a reversal from last month, the industrials, logistics and self-storage sector has been the key contributor to performance over the past month, with our holdings in Segro, Urban Logistics, Industrials REIT and Tritax Big Box representing four of the five largest stock contributors. As a function of the strongly positive markets during the second half of last month, and in a complete contrast to last month, there were no sectors that detracted from performance over the period. However, we did see negative contributions from our positions in Life Sciences REIT and CT Property Trust. In both cases, these declines appear to be a short-term response to sales by a key investor over the month as opposed to a reflection on a change in the fundamentals.

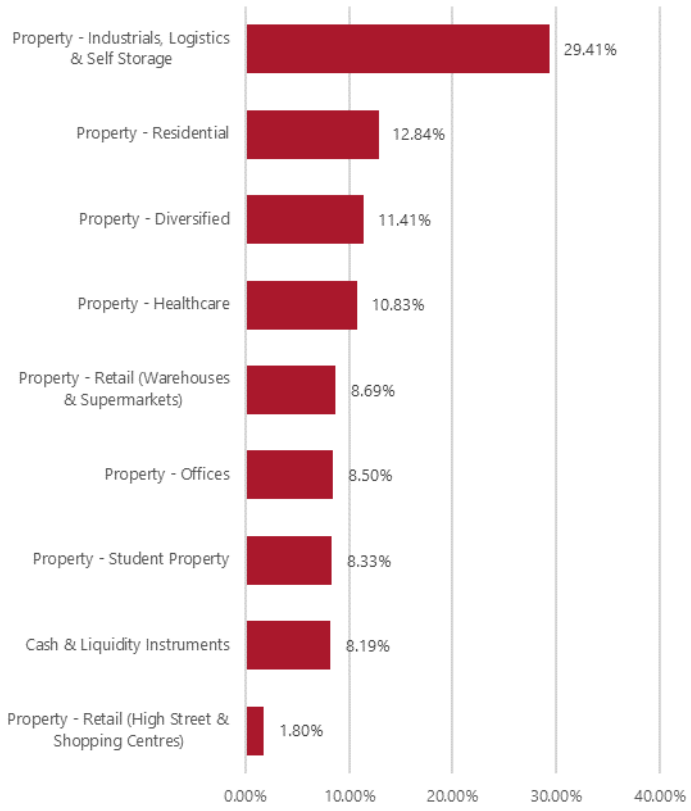
ACTIVITY

As a result of a combination of comfort in our current positioning and more muted inflows this month, there was minimal investment activity during the month of July. The more positive market movements enabled the fund size to grow to in excess of £68m by the end of the month.

FUND PERFORMANCE

Past performance data will not be published until the Fund has been running for a full 12-month period.

FUND COMPOSITION



FUND AIM

The investment objective of the Fund is to provide investors with a growing income (in monetary terms per unit) on an annualised basis and some capital growth over a market cycle (a seven-year rolling period). Growing income will be the primary objective of the Fund and capital growth the secondary objective.

INVESTMENT PHILOSOPHY

The Fund uses listed property investments to provide investors with the long-term return profile of the asset class but without the key challenge of liquidity. It primarily invests in real estate investment trusts (REITs) and real estate operating companies (REOCs). The fund managers benefit from the macro input on the property market from an advisory council including colleagues from Custodian Capital and Maven Capital Partners. The discussions within this group contribute to the formulation of the target sector allocations for the Fund.

CUMULATIVE PERFORMANCE as at 31.07.2022

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.

TOP TEN HOLDINGS as at 31.07.2022

Holding	Percentage
Urban Logistics REIT	6.30%
Empiric Student Property	6.07%
Tritax Big Box	5.52%
SEGRO plc	5.28%
PRS REIT	5.14%
Land Securities Group plc	5.06%
Ediston Property Trust	5.03%
Grainger plc	4.89%
Helical plc	4.83%
Industrials REIT Ltd	4.79%

FUND DETAILS

Fund size:	£68.61 million
No. of holdings:	26
Sector:	IA Property Other
Distribution policy:	Quarterly
Payment dates:	March, June, September and December
XD date:	February, May, August and November
Launch date:	31 August 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	1.56%
Annual management charge (% p.a.)	
B income	0.40%
Initial fee	0.00%
ISIN	
B income	GB00BMCH5V84
SEDOL	
B income	BMCH5V8

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 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.**

Sources: FE Fundinfo