31 DECEMBER 2022

MATTIOLI WOODS FUNDS

FP MATTIOLI WOODS PROPERTY SECURITIES FUND

FUND MANAGER COMMENTARY

MARKET REVIEW

The traditional 'Santa rally', which typically sees equities make gains in the weeks leading up to Christmas Day, failed to fully materialise in 2022. This capped a torrid year for financial markets, as asset prices underwent a marked correction in response to central bank monetary tightening and global slowdown fears. 2022 was a year to forget for investors; many equity markets suffered their worst falls since 2008, while some bond markets underwent a double-digit correction. At the outset of the year, few expected inflation to reach 40-year highs, with central bankers convinced rising inflation would prove transitory. As consumer prices continued to climb, central banks took interest rates to levels not seen since the global financial crisis – hampering the growth outlook and sending bond yields markedly higher. This global wave of interest rate hikes, allied with the impact of Russia's invasion of Ukraine and China's zero-Covid policy, negatively impacted asset pricing. There were few positives, with some sectors, particularly those pricing in as yet unachieved future growth (rather than profit now), such as technology, suffering most. Commodities, notably energy, were a rare bright spot and those regional markets, including the UK large company segment, with significant exposures to these sectors fared better. Looking ahead, there are flickers of optimism, with peak interest rates expected to come as 2023 progresses. That said, corporate earnings will come under pressure in a slowdown, so remaining selective in equity positioning remains key. With bond yields significantly higher after the sell-off, opportunities are more prevalent here but again it is important to understand the capability (and willingness) of borrowers to repay. Here's to an improved 2023 for financial markets.

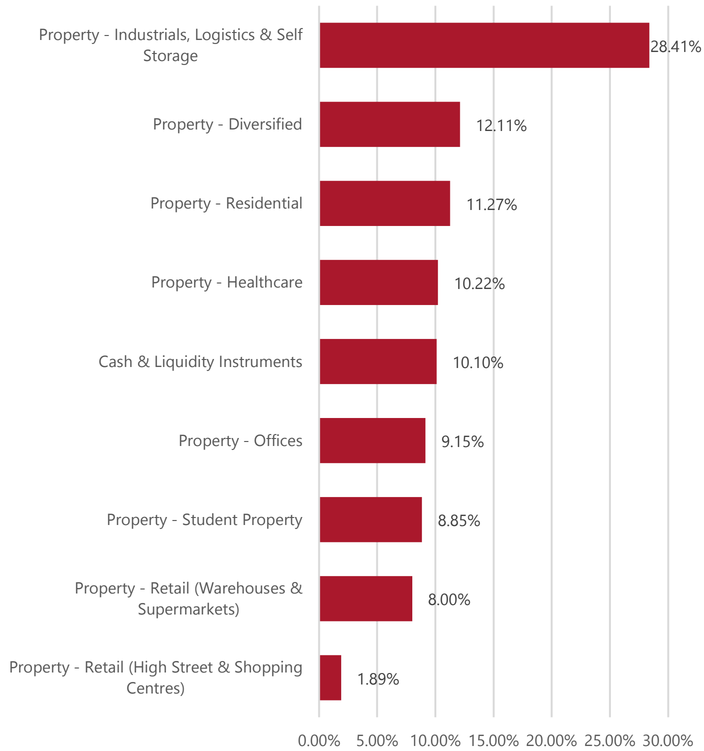
FUND REVIEW

After a more positive trajectory for the list property sector during October and November, we saw a modestly negative month in December. Having started the month in a positive fashion, an upwards movement in gilt yields in the middle of the month resulted in price softness for the listed property sector. We have continued with our cautious mindset through the month of December, which we believe is entirely justified in an environment of higher rate policy with the globe contemplating recessionary conditions. As such, we continued holding an elevated cash balance through the period with just a couple of judicious buy trades into existing holdings at very attractive prices. The Fund posted underperformance (-0.58%) against the broader sector over the month. While our sector allocation provided a positive impact upon performance, it was not sufficient to offset the negative relative impact of stock selection over the month. On the allocation effect, our higher cash weighting and lower exposure to industrials, logistics and self-storage were positive contributors. In terms of stock selection, our exposure to non-benchmark stocks of Industrials REIT and Ediston Property were meaningful detractors over the month. In addition, the challenges with Home REIT continued through the month, as results were delayed by the requirement for an enhanced audit following the previously mentioned short sellers report. The end of December saw the first quarterly (August to October) income payment for the FY24 (through to 31 July 2024). At 0.6603 pence per unit, it was more than double the amount paid in the first quarter of the last financial year (0.2957 pence per unit). However, it should be recognised that the period in the last financial year represented the establishment period for the strategy, with cash inflows being invested. The Fund was also only operational for two of those three months at it only launched on 31 August 2021. Nevertheless, with the primary stated aim for the Fund of a growing income in monetary terms, it is pleasing to report a larger number for this quarter. Having reached the end of the 2022 calendar year, it's worth pausing to reflect on the last twelve months – an undeniably challenging year for the UK property market. Driven by stubborn global inflationary pressures, we saw global fixed interest yields climb as central banks looked to suppress inflation. Driven by opportunity cost and high debt costs, we saw the yields on the property market comparably increase, resulting in the decline of valuations. Listed property securities are forward-looking in nature and, with investors attempting to forecast valuation declines, this saw meaningful declines in share prices during the second half of the calendar year. Over the year, the Property Securities Fund produced a total return of -24.31%, which represented outperformance of the listed property sector as a whole, posting a total return of circa -32%.

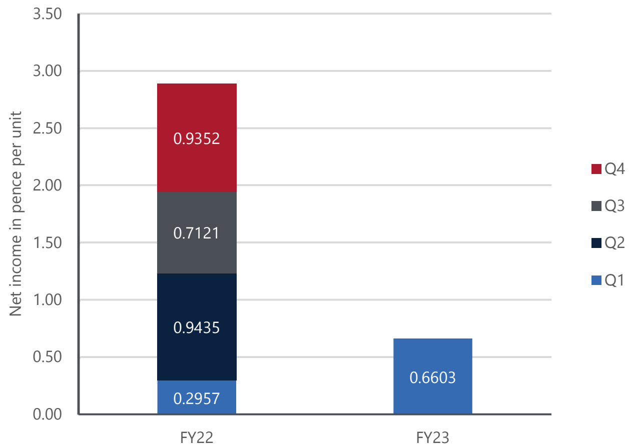
ACTIVITY

A quiet month for the Fund in terms of trading activity but the team have been busy analysing updates published by constituents of the listed property sector to obtain a broad insight into the dynamics of the UK property market.

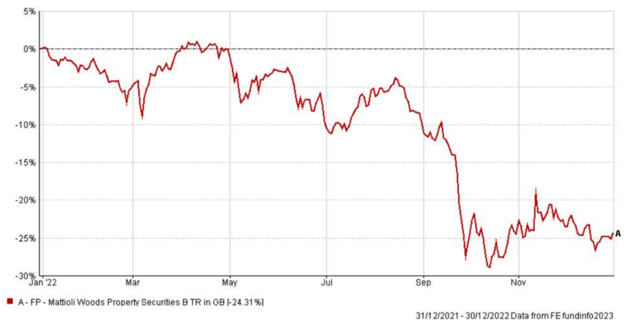
FUND COMPOSITION



DIVIDENDS PAID



FUND PERFORMANCE



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 31.12.2022

	1 month	3 months	6 months	1 year	3 years
Fund	-1.06	0.06	-16.22	-24.31	

ANNUAL PERFORMANCE

	2022	2021	2020	2019	2018
Fund	-24.31				

TOP TEN HOLDINGS as at 31.12.2022

Holding	Percentage
Empiric Student Property	6.73%
Land Securities Group plc	5.93%
Urban Logistics REIT	5.70%
Grainger plc	5.23%
PRS REIT	4.97%
SEGRO plc	4.85%
Tritax Big Box	4.64%
Ediston Property Trust	4.54%
Industrials REIT Ltd	4.42%
Helical plc	4.33%

FUND DETAILS

Fund size:	£68.21 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	1.39%
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