

FP MATTIOLI WOODS PROPERTY SECURITIES FUND

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.

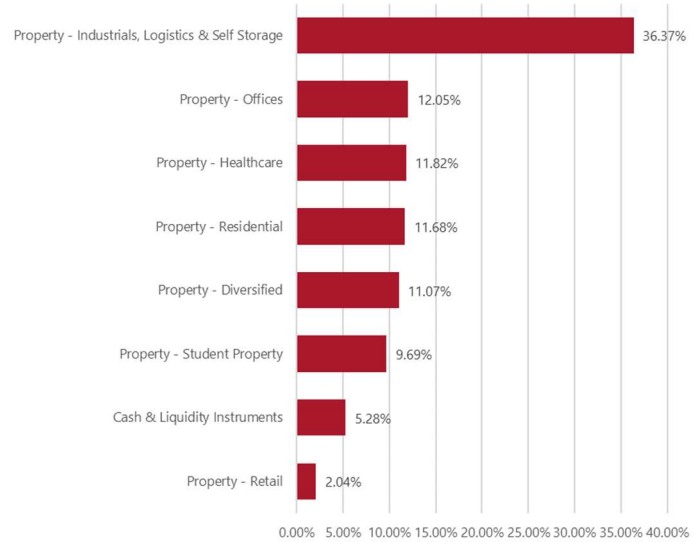
FUND REVIEW

While feeling like a broken record player, the listed property sector continued to be buffeted by the winds of macroeconomic uncertainty during the month of October, as we saw a renewed concern over the pathway for global interest rates. This saw the 5 Year UK Interest Swap Rate climb back above the 5% level just after the middle of the month before falling back by month end. The listed sector finished the month almost 4% lower after another end of month rally as seen in September. Pleasingly, the fund posted outperformance against the sector for the month of October, with a total return performance figure of -3.03%. The Fund's underweight exposure to the retail sector and the overweight exposures to residential and cash were the three primary drivers of the outperformance. In addition, stock selection in both residential and office sectors was beneficial for relative fund performance. We have commented in previous months about the consensus view that interest rates are approaching their peak levels. We continue to agree with this but, as we've seen this month, there is still a significant level of uncertainty that will drive short-term movements in share prices. While being conscious of the shorter-term turbulence, our focus remains on the medium-term opportunity set in which occupational fundamentals look supportive, discounts will close and the pressure of interest rates will, in due course, ease on property valuations and refinancing requirements.

ACTIVITY

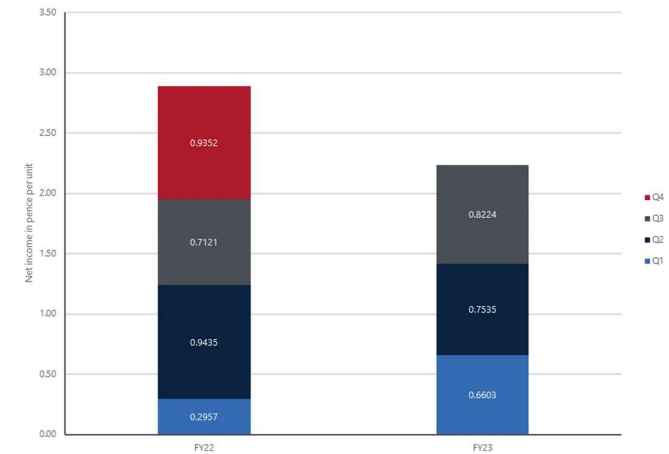
To swiftly invest a meaningful inflow, we initiated a new position in iShares UK Property ETF in the last couple of days of October. Pleasingly, we are starting to see a broadening of interest in the sector from investors.

FUND COMPOSITION

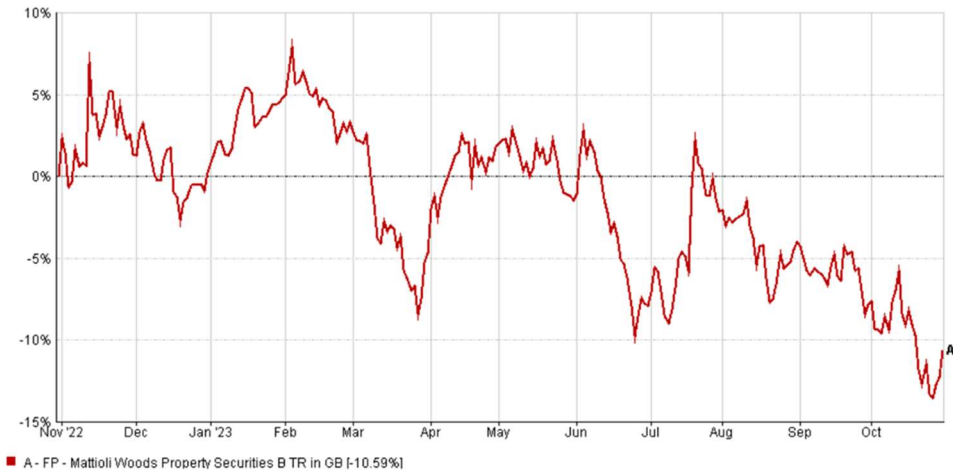


DIVIDENDS PAID

Due to rounding, figures above may not equal 100%



FUND PERFORMANCE



31/10/2022 - 31/10/2023 Data from FE fundinfo 2023

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

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 31.10.2023

	1 month	3 months	6 months	1 year	3 years
Fund	-3.03	-8.62	-12.17	-10.59	

ANNUAL PERFORMANCE

	2022	2021	2020	2019	2018
Fund	-24.31				

TOP TEN HOLDINGS as at 31.10.2023

Holding	Percentage
LondonMetric Property plc	8.08%
SEGRO plc	7.91%
Land Securities Group plc	7.51%
Empiric Student Property	7.46%
Tritax Big Box	7.36%
Urban Logistics REIT	5.35%
PRS REIT	5.29%
Grainger plc	5.21%
Workspace Group plc	4.38%
Assura plc	4.11%

FUND DETAILS

Fund managers	Ian Goodchild and Jonathon Marchant
Fund size:	£61.63 million
No. of holdings:	24
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	1.28%
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 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.

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