31 JANUARY 2024

FP MATTIOLI WOODS PROPERTY SECURITIES FUND

MATTIOLI WOODS FUNDS

FUND MANAGER COMMENTARY

MARKET REVIEW

After a particularly strong end to 2023, global markets pulled back in early January as investors started to reassess how soon interest rates will be cut across developed markets. Bond yields rose across the board (meaning prices fell) as the likelihood of interest rate cuts as soon as March were pushed out until later in the year. Sentiment picked up towards the end of the month following better than expected growth data and signals from the US and European central banks that rates have peaked, bolstering hopes for cuts later in the year. As January ended, technology stocks continued to lead the US S&P 500 index to consecutive record highs. European equities also made gains on a flurry of encouraging corporate results, while a weaker yen supported Japanese equities. Despite a mid-month bounce, Asia Pacific (ex-Japan) equities remain the laggard as market participants retain a degree of scepticism around the potential efficacy of China's recently announced additional stimulus measures.

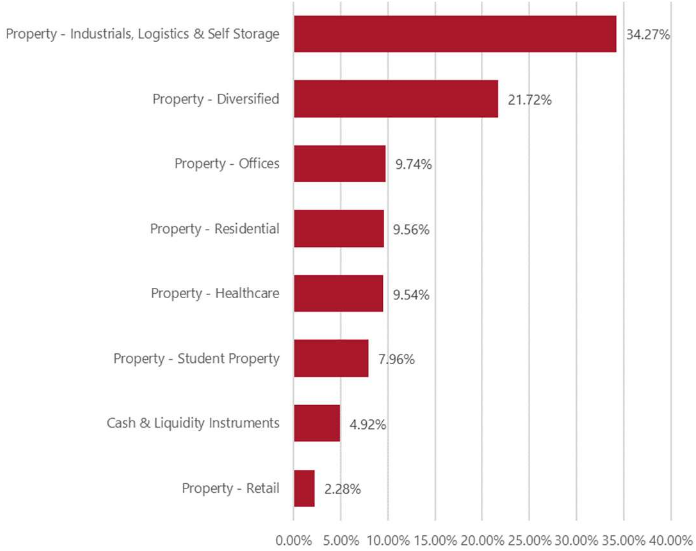
FUND REVIEW

After a strong end to 2023 the listed property sector gave up some of the gains in January, declining 3.28%. Expectations from investors are that interest rate cuts will occur in 2024, which would add support to the property sector through lower borrowing costs. News in January that inflation had come in marginally higher than expected cast doubt on quite how soon those cuts may materialise. The fund returned -3.36% during the month. The biggest contributor to performance was Harworth Group, who provided better than expected guidance for their full year results. Elsewhere in the portfolio we saw an all-share merger between LondonMetric & LXI REIT proposed. This was well received, and both were positive contributors to return. There was also a proposal for abrdn Property Income Trust and Custodian Property Income REIT to complete an all-share merger. abrdn shares were up over 10% on the day of the news. We have been supportive of consolidation within the marketplace, where there are too many subscale companies. Looking to 2024, we see reason for optimism within the sector. Many companies still trade on large discounts offering a margin of safety and lower or stable interest rates would further support these valuations. Equally, current dividend yields are attractive and well covered in most cases.

ACTIVITY

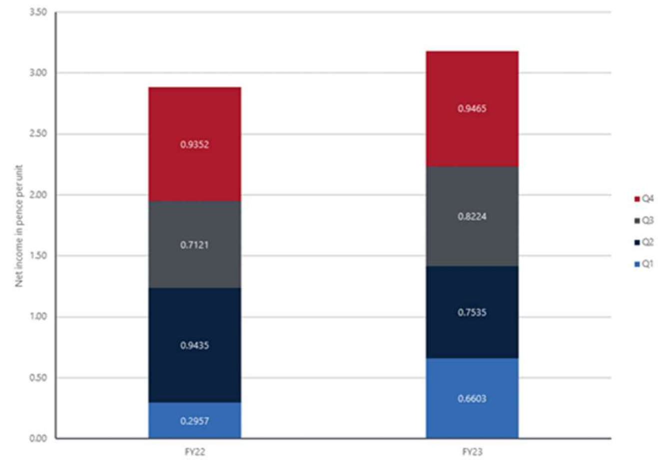
Over the month, a position in British Land was initiated. This was a name that we have monitored for a long time and believe there is value that can be unlocked within their portfolio. To facilitate this purchase, Impact Healthcare was sold in its entirety as there was a lack of conviction in management. Increased liquidity in the market following news of the merger allowed the sale of LXI REIT. Given our holding in LondonMetric, we were conscious of the weight of the combined entity, as we seek to manage risk in the portfolio.

FUND COMPOSITION

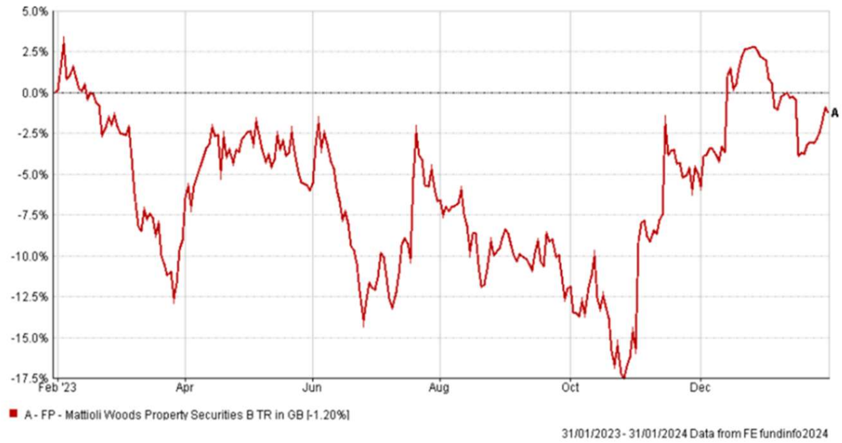


Due to rounding, figures above may not equal 100%

DIVIDENDS PAID



FUND PERFORMANCE



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 31.01.2024

	1 month	3 months	6 months	1 year	3 years
Fund	-3.36	15.79	5.81	-1.20	

ANNUAL PERFORMANCE

	2023	2022	2021	2020	2019
Fund	6.86	-24.31			

FUND DETAILS

Fund managers:	Jonathon Marchant
Fund size:	£70.71 million
No. of holdings:	23
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	1.24%
Annual management charge (% p.a.)	
B Income	0.40%
Initial fee	0.00%
ISIN	
B Income	GB00BMCH5V84
SEDOL	
B Income	BMCH5V8

TOP TEN HOLDINGS as at 31.01.2024

Holding	Percentage
iShares UK Property UCITS ETF GBP	9.18%
SEGRO plc	8.54%
LondonMetric Property plc	7.75%
Land Securities Group plc	7.71%
Tritax Big Box	7.29%
Grainger plc	5.26%
Empiric Student Property	4.65%
Workspace Group plc	4.14%
Assura plc	3.91%
Urban Logistics REIT	3.86%

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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