Premier Miton INVESTORS

January 2021 Fund commentary

For investment professionals only

# Premier Miton UK Value Opportunities Fund

### Key Facts

| | |
|---|---|
| Fund launch date | 25 March 2013 |
| Fund type | OEIC |
| Fund managers | Andrew Jackson |
| Fund size | £434.1m |
| No of holdings | 69 |
| IA Sector | UK All Companies |
| Base Currency | GBP |
| Valuation point | 12:00 midday |
| Accounting dates | Final - 31 May<br>Interim - 30 Nov |

### Ratings and Awards

ALPHA MANAGER 2020 Andrew Jackson

MONEY OBSERVER RATED FUND 2019

CITYWIRE WINNER BEST FUND GROUP 2018 UK EQUITY – UK (ALL COMPANIES) MITON GROUP

RSMR RATED FUND

**Past performance is not a guide to future returns.**

## Summary


- Over the course of January 2021, the total return of the fund was 0.9%, outperforming both the FTSE All-Share Index total return of -0.8% and the IA UK All Companies sector average return of -0.9%.
- New Year optimism ensured a quick start to the month.


### Calendar year performance (%)

| | YTD | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|---|
| Fund | 0.9 | -1.2 | 39.2 | -17.4 | 24.8 | -1.6 |
| Sector | -0.9 | -6.0 | 22.2 | -11.2 | 14.0 | 10.8 |
| FTSE All-Share Index | -0.8 | -9.8 | 19.2 | -9.5 | 13.1 | 16.8 |

Source: FE Analytics. On 30 November 2020, this fund moved from a single pricing basis (mid) to a swing pricing basis, which is where the price can swing to either a bid or an offer basis depending on the investment and redemption activity in the fund. This means the investor selling or buying fund shares bears the associated [dis]investment costs and protects the continuing holders in the fund. Performance could be shown on a combination of bid, mid or offer prices, depending on the period of reporting. Performance is shown net of fees with income reinvested. The fund is classified in the IA UK All Companies sector, which we believe is a meaningful comparator to help investors assess the performance of the fund. As the fund invests in UK companies, we believe the FTSE All-Share Index is a useful performance comparator.

## Market Review

Hopes that the new year just had to be better than 2020 on so many levels meant that markets got off to a positive start, but the optimism steadily dissipated as investors weighed the negatives of further lockdown measures against the hopes raised by gathering momentum in the vaccination programmes. In the corporate world, news flow remained well into positive territory with encouraging year end updates and a revival of takeover activity helping to ensure a warm reception for a flurry of IPOs. Some commentators expressed their nervousness about speculative market conditions, although many of the more worrisome signs lay more at the margin of financial markets.

## Performance

The fund's total return of 0.9% was modestly ahead of the FTSE All-Share Index total return of -0.8% and IA UK All Companies sector average total return of -0.9%.

The biggest gainer and largest positive contributor was Reach plc which provided another very encouraging update in respect on 2020's profits, with special mention for growth of its digital revenues. Slowly but surely the management is building a track record of delivery here and potential new investors are starting to take an interest; there is further to go for and the shares remain a core holding.

Also making a notable contribution to the fund's return was another portfolio stalwart, Sylvania Platinum. The company's trading update once again demonstrated operational resilience and burgeoning cash reserves, but the primary factor behind the advance in the share price was a surge in the price of rhodium, by value the largest single component of Sylvania's output, juxtaposed to a share rating which might

# Premier Miton UK Value Opportunities Fund

still be described as begrudging despite multiple gains over the years. They remain a core holding.

The biggest fall and largest negative impact on the fund was incurred by Provident Financial. There was no official news flow but investors appeared to be anticipating lockdown measures to be unhelpful for its face to face credit business and, further, evidence of consumers adding to their savings at a very high level was deemed unhelpful for new lending in its Vanquis lending division: in the absence of anything concrete the investment was retained.

**Portfolio Activity**

Two investments previously held by the fund were reintroduced during January. Just Group, provider of bulk and specialist annuities and equity release mortgages falls squarely into the deep value category, reflecting the fact that the company has struggled to make its actuarially neat idea work in the face of real world regulation. However, there is hope that the company is nearing the point of becoming properly self-sustaining in terms of its capital requirements, and if so, its share price offers substantial upside on most comparable measures. In contrast to the deep value offered by Just Group, Clinigen is more in the camp of seeking operational improvement in a defensive sector. Although it might be expected that as the provider of distribution services to the pharmaceutical sector, with a global presence, the company might inevitably come with a degree of operational complexity and it has nonetheless felt over recent years that things had become so complex as to impinge on profitability. Allied to debt levels which might be a little high for some tastes and the shares have come to languish at modest levels. However, management does appear to recognise the issues and are making an effort to simplify the business, and with the business model itself being naturally cash generative, it is possible to see a route towards a better profitability and a higher rating.

It would be remiss not to mention a piece of self-generated good luck. Having invested in Whitbread with an eye to an eventual re-opening of leisure and travel activities, after further examination of the options on this theme, I decided to switch the money into Marstons as I perceived the returns to equity would be superior at the latter, and we were swiftly rewarded when on the final trading day of the month the company confirmed it had been the subject of a bid approach. The shares have been retained awaiting further developments.

**Outlook**

Whilst the prospect of further winter weeks spent under another lockdown has inevitably taken its toll on the mood of the nation, there has been limited impact on corporate performance – sure, travel and leisure companies are hurting, but it is a low activity period for them in normal times and expectations are being surpassed in many other sectors of the economy. Quite obviously, a lot hangs on the when and how of lifting of lockdown restrictions, but the general direction of travel – towards and through recovery - remains unchanged, and so does the general tenor of the portfolio positioning. One adjustment which has been made in recent weeks has been to intentionally edge up the number of holdings in the fund. This modest increase reflects the intersection of two not unconnected features of where we find ourselves in the economy and stock market. Firstly, there are an enhanced number of readily identifiable deep value opportunities on the stock market, which I think have material upside over the medium to long term. However, I am also cognisant of the fact that there can be casualties within this subset and accordingly I have invested in a number of smaller positions in deep value investments with the aim of developing or rejecting them as events unfold. Secondly, the extent of this recession means that the potential for recovery is available across a broad swathe of the economy. As the cause, extent and effect of this recession is without meaningful precedent, we have to acknowledge the limitations of merely dusting down the history books to understand how and when different sectors in the economy recover, and such investments have been made across a broader array of businesses than previously. Again, I will use news flow to further refine weightings. Overall, I am very encouraged by the breadth of viable opportunities available for investment and the magnitude of recovery in many instances with the challenge being one of capital allocation as much as insightful analysis.

# Premier Miton UK Value Opportunities Fund

**Risks**

**The performance information presented in this commentary relates to the past. Past performance is not a reliable indicator of future returns.**

**The value of investments may fluctuate which will cause fund prices to fall as well as rise and investors may not get back the original amount invested.**

**Investment in the securities of smaller and/or medium sized companies can involve greater risk than may be associated with investment in larger, more established companies. The market for securities in smaller companies may be less liquid than securities in larger companies. This can mean that the Investment Manager may not always be able to buy and sell securities in smaller and/or medium size companies.**

**Forecasts are not reliable indicators of future performance.**

**This fund may experience high volatility due to the composition of the portfolio or the portfolio management techniques used.**

**Important information**

**For Investment Professionals only. Not for onward distribution. No other persons should rely on any information contained in this document.**

Source of performance data: FE as at 31.01.2021. On 30 November 2020, this fund moved from a single pricing basis (mid) to a swing pricing basis, which is where the price can swing to either a bid or an offer basis depending on the investment and redemption activity in the fund. This means the investor selling or buying fund shares bears the associated [dis]investment costs and protects the continuing holders in the fund. Performance could be shown on a combination of bid, mid or offer prices, depending on the period of reporting. Performance is shown net of fees with income reinvested. Source for other data: Premier Miton Investors and Bloomberg, as at 31.01.2021.

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A free, English language copy of the fund's full prospectus, the Key Investor Information Document and Supplementary Information Document are available on the Premier Miton website, or you can request copies by calling us on 01483 306090.

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