

For investment professionals only

Premier Miton US Smaller Companies Fund

Key Facts

Fund launch date	14 March 2018
Fund type	OEIC
Fund managers	Nick Ford Hugh Grievess
Fund size	£370.6m
No of holdings	77
IA Sector	North American Smaller Companies
Base Currency	GBP
Valuation point	12:00 midday
Accounting dates	Final - 31 May Interim - 30 Nov

Calendar year performance (%)

	Fund	Sector
2021 YTD	9.7	2.9
2020	67.0	23.6
2019	23.7	25.8
2018	n/a ¹	-4.5
2017	n/a ¹	7.1
2016	n/a ¹	40.0

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.

¹Please note that this information is unavailable as the Premier Miton US Smaller Companies Fund launched on 14.03.2018.

Ratings and Awards



Past performance is not a guide to future returns.

Summary

- The fund rose 9.7% in sterling terms compared to a rise of 2.9% for the IA North American Smaller Companies peer group over the period.
- Stock level contributors included Stitch Fix and Sprout Social.
- We opened new positions in Certara, Health Catalyst and Media Alpha.

Market Review

Heightened prospects for significant fiscal stimulus under the incoming Biden administration supported stocks in January. The incoming president announced his plans for USD 1.9 trillion of spending. The prospects for the Democrats taking the Senate and achieving unified control of the government also bolstered sentiment. The extraordinary assault on the US Capitol only modestly unsettled markets.

Economic data included the Institute for Supply Management (ISM) gauge of US manufacturing activity in December which rose to its highest level since August 2018. Conversely, the labour market showed signs of a sharp slowdown, due mostly to job losses at bars and restaurants shuttered by coronavirus containment measures. Nonfarm payrolls fell by 140,000 in December, marking the first monthly decline since April. The manufacturing sector remained in much better shape, however, with industrial production surging 1.6% in December, roughly three times consensus estimates. Housing data was also very encouraging, with existing home sales and housing starts at their highest levels since 2006. As a result, the yield on the benchmark 10-year Treasury note continued to move higher over the month.

Performance

Fund: +9.7% in Sterling terms compared to +2.9% for the IA North American Smaller Companies peer group.

Positive contributors to performance over the period included Stitch Fix and Sprout Social with these stocks adding

2.1% and 1.2% respectively to the fund's return.

Stitch Fix provides a data-driven, digital personal clothes styling service for clients looking to avoid travelling to apparel stores. It uses data and algorithms in conjunction with human stylists to provide personalised apparel selections which are shipped directly to customers (and easily returned where necessary). Clothing sales fell sharply during the economic downturn earlier in the year but Stitch Fix's recent earnings report indicated that consumers had begun to update their wardrobes and its platform was attracting an impressive number of new subscribers.

Sprout Social is a social media management software company. It provides an integrated platform that enables business customers to manage every aspect of their social presence across networks and help them capitalise the vast amount of data on social media for business intelligence. The company is growing rapidly. The latest quarterly report showed 28% revenue growth.

Irhythm Technologies and Cardlytics detracted from performance.

Irhythm Technologies' products are used for ambulatory cardiac monitoring. They help identify the risk of strokes and heart attacks. The company's key product is a patch (worn by patients) which collects heart beat data to help physicians make informed decisions. Irhythm's innovative approach is enabling the company to rapidly take market share from traditional monitors which have more limited capabilities. News that health insurers might pay less for cardiac monitoring for patients caused a sharp sell off in

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the stock.

Cardlytics provides transaction driven marketing services. It works with marketers to provide cash-back offers on online banking sites based on customers' transaction histories. The company has built relationships with many of the country's largest banks and payments processors and its business has continued to grow very rapidly. Cardlytics fell after an influential analyst reduced his rating citing the high valuation of the stock.

Portfolio Activity

We bought Axonics Modulation Technologies, Certara, Health Catalyst, Personalis, and Media Alpha. All are recent IPOs displaying strong top line growth.

Axonics Modulation Technologies is a medical technology company which has developed a minimally invasive implantable device for patients suffering from urinary and bowel dysfunction disorders including overactive bladder, urinary retention and fecal incontinence. Its system delivers mild electrical pulses to the sacral nerve to re-establish regular communication to and from the brain to reduce symptoms. Axonics is addressing a large, growing and underserved market and should be able to take share from Medtronic, the current leader, because it has a substantially improved device.

Certara is the global leader in biosimulation software and services, serving biopharmaceutical companies, academic research institutions, and regulatory agencies. The market for biosimulation software and services in drug development is expanding at a rapid clip as a result of strong new product pipelines, surging funding, increased outsourcing and greater acceptance and use of biosimulation. Certara's capabilities help improve clinical, regulatory, and commercial success for its customers. The company has an impressive history of innovation and a

business with a high level of recurring revenues.

Health Catalyst enables health service providers to aggregate and harmonize electronic health records (HER) data. The company's software applications allows customers to analyse their data, generate business insights and facilitate significant clinical, operational, and financial improvements. The company has a loyal customer base and is positioned at the forefront of the drive to reduce bloated healthcare costs throughout the country.

MediaAlpha operates digital-based customer acquisition technology platform serving insurance companies. It is thriving because it can efficiently bring high-intent buyers together with sellers of insurance products, effectively creating a transparent marketplace for consumer referrals. The company's proprietary technology enhances its insurance company partners' marketing campaigns by helping them target the right consumer at the right time and at the right cost. The industry backdrop should be very favourable for MediaAlpha because the sector is undergoing a shift towards online, telephonic, and digital consumer acquisition strategies, and away from in-person sales via captive brokers.

Personalis provides advanced genomic sequencing and other services for the comprehensive analysis of cancer and immune cells. The company's advanced technology platform enables biopharmacists to perform in-depth studies of both the tumour and its microenvironment from a single biopsy sample. We believe Personalis will benefit from the growing need for more genomic data in immune-oncology and other cancer drug development. The biotechnology industry has raised substantial amounts of capital to fund research and development over the past year, providing a solid base for investments in critical diagnostic tools and related services.

Stocks sold to fund the purchases

We took profits in C A C I International (technology services for government agencies), Cardlytics (advertising technology), Fubotv (live sports TV streaming), Sumo Logic (business software) and Texas Roadhouse and Wingstop (restaurants).

Other sales included stocks which had become quite small as a percentage of the fund's NAV following lacklustre returns. Our investment process incorporates using underperforming situations as a source of funds for new and more promising ideas. We therefore liquidated residual holdings in Air Transport Services Group (air freight/logistics), Accelerate Diagnostics (life sciences tools), Dropbox (software databases), Glu Mobile (video gaming), Greensky (payment processing), Orthopediatrics (medical devices), Prestige Consumer Healthcare (cosmetics/personal care) and Verra Mobility (transportation/logistics).

Outlook

Smaller US companies continue to provide impressive returns for investors. In January, the Russell 2000 Index returned 5.0% in Dollar terms, well ahead of the 1.0% fall seen in the large cap S&P 500 Index. As we have already mentioned in recent reports, the small cap sector is running very much true to form during the current economic recovery. The fund remains fully invested and focussed on some of the fastest growing and most innovative companies in America.

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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.

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.

For funds investing globally, currency exchange rate fluctuations may have a positive or negative impact on the value of your investment.

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.

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Important information

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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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All data is sourced to Premier Miton unless otherwise stated. Persons who do not have professional experience in matters relating to investments should not rely on the content of this document.

The fund is classified in the IA North American Smaller Companies sector, which we believe is a meaningful comparator to help investors assess the performance of the fund.

The methodology and calculations used by the companies or organisations that provide the fund or fund manager awards and ratings are not verified by Premier Miton Investors and we therefore are unable to accept responsibility for their accuracy. Ratings and awards should not be relied upon for making an investment decision, nor are they an indication, promise or guarantee of future performance of a fund or fund manager.

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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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