

PREMIER MITON RESPONSIBLE UK EQUITY - GBP

INVESTMENT RESEARCH NOTE
FEBRUARY 2024

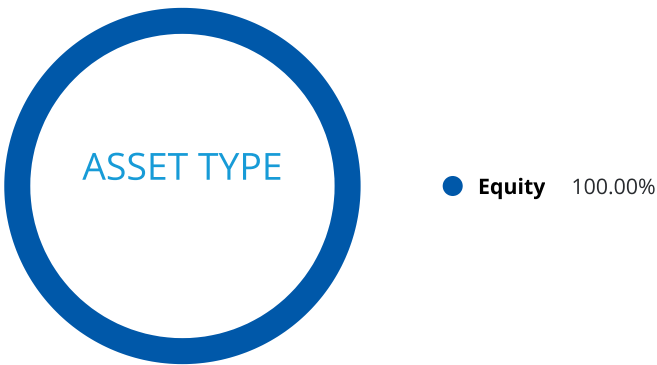
Risk warning: The past is not necessarily a guide to future performance. The value of your investment and the income from it can fall as well as rise and is not guaranteed. You may not get back the full amount invested. Our views are based upon our understanding of current legislation in England. Levels and bases of, and reliefs from, taxation are subject to change and their value to you will depend upon your personal circumstances. You should not act on any of the information without seeking professional advice. clarity Ltd is authorised and regulated by the Financial Conduct Authority (FCA).

SUMMARY

Premier Miton is a publicly listed fund manager, quoted on the London Stock Exchange and formed from the merger in 2019 between Premier Asset Management and the Miton Group. The combined group has an AUM of over c.£10bn and is focused on multi-asset and active UK, European and US equities.

The co-managers are Jon Hudson and Benji Dawes, who took over the running of the fund on 1/7/19. They also manage the UK Growth Fund (since 31/10/17) and the UK equity element of the Diversified Growth Fund (since 1/4/16). Jon joined Premier in 2007, initially as an analyst. Benji joined Premier in 2014. Jon is the more valuation focused member of the team and the co-manager approach has proved beneficial through 2020 in terms of taking advantage of opportunities during volatile markets. This is a long only, bottom up, actively managed, 50-60 stock, multi-cap, UK equity fund, focused on quality growth stocks, with an emphasis on long term total return.

The Ethical policy is a combination of negative screens, external ESG scoring, internal ESG analysis and a independent ethical committee. With 83% of the ethical fund overlapping with the UK Growth fund, that would suggest that in practice the ESG screens have only a modest impact on portfolio construction with the fund being a version of UK Growth, minus the exclusions. We would rate it 2/4 on the internal Collidr ESG scoring system, reflecting our analysis of the portfolio outcome, rather than a comment on the stated ESG policy.



INVESTMENT PROCESS

The investment process is based around the following principles; an emphasis on high quality growth companies, high returns on invested capital, high cash conversion, strong balance sheet, sustainability of returns (from both a ESG and competitive advantage basis) which should all combine to deliver superior full cycle earnings growth. There is a focus on valuation to avoid overpaying for growth, a multi-cap stock selection approach with a large allocation to small caps, all underpinned by the ethical considerations. This is GARP approach with an ethical and small/mid cap bias.

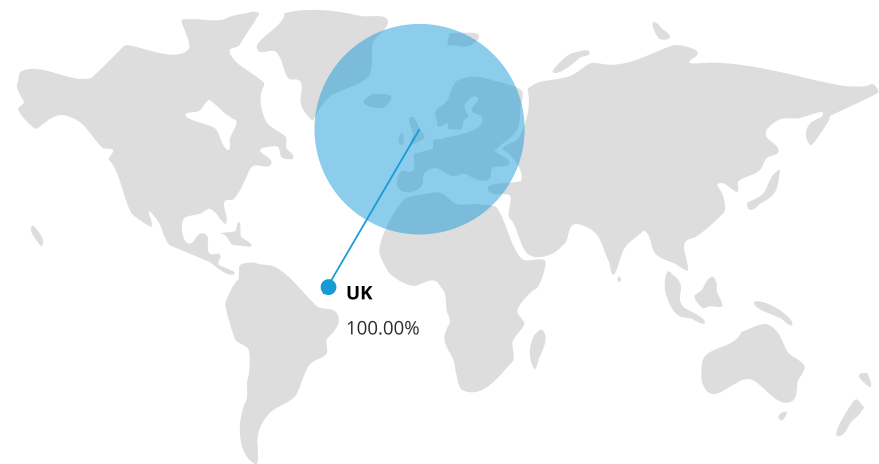
Idea generation comes from an initial screening of 1,500+ stocks using the 'Quest' cash return on invested capital approach, 500+ company meetings a year and their own internal analysis. 'Quality' is defined as high returns on invested capital, sustainability of returns (both from an ESG and barriers to entry perspective), high cash conversion and strong balance sheet. Overpaying for growth is avoided by targeting PEG below 2x and a focus on FCF Yield and discounts to net assets. This then produces a portfolio of 50-60 stocks, which can be broadly split into 3 groups. About 65% would be 'steady growth' GARP, 15% 'high growth' disruptors and 20% would be 'latent growth', often companies that are fundamentally better than the perceptions of the company or industry eg Forterra.

The ESG process is more about the use of negative screens, (hence having Jet2 as a holding) given the size of the overlap with the UK Growth fund. The fund avoids companies that have a significant involvement in fossil fuel production, weapons, tobacco, pornography, irresponsible use of alcohol, pollution, environmental damage, animal testing for non-medical products, and aggressive tax policies. External ESG screens are used for potential new holdings.

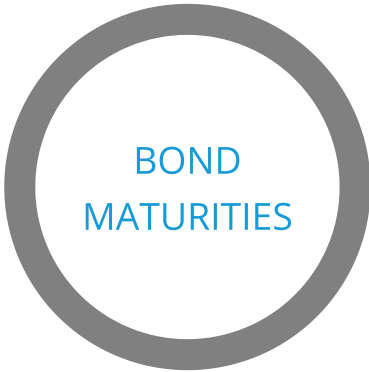
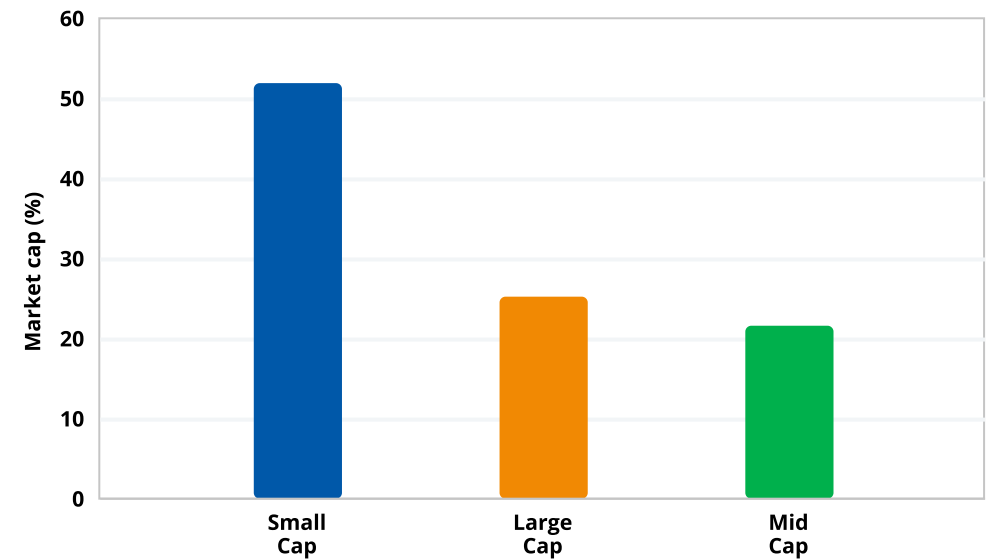
The portfolio has a much higher earnings growth and lower gearing than the market, but at a higher valuation. The 'quality' is more likely reflected in a significantly higher return on equity. Unlike a lot of strategies that claim a GARP approach, this fund does seem to deliver, with a PEG ratio close to the market average. PEG ratios above 2x on 3yr normalized earnings are set as the review point, which then requires justification for the holding to be retained. The fund PEG ratio would suggest that this policy is adhered to. Investors should be aware that as a consequence of the change in manager (July 2019), the investment process has also changed, moving away from a 'price momentum' strategy and more towards GARP and with a larger small cap allocation. There is a very large overlap between this fund and the UK Growth Fund, at around 83%, the key difference being the impact of the ethical considerations.

AGGREGATED NET EXPOSURE

REGIONAL EXPOSURE



EQUITY MARKET CAP (%)



Not Applicable



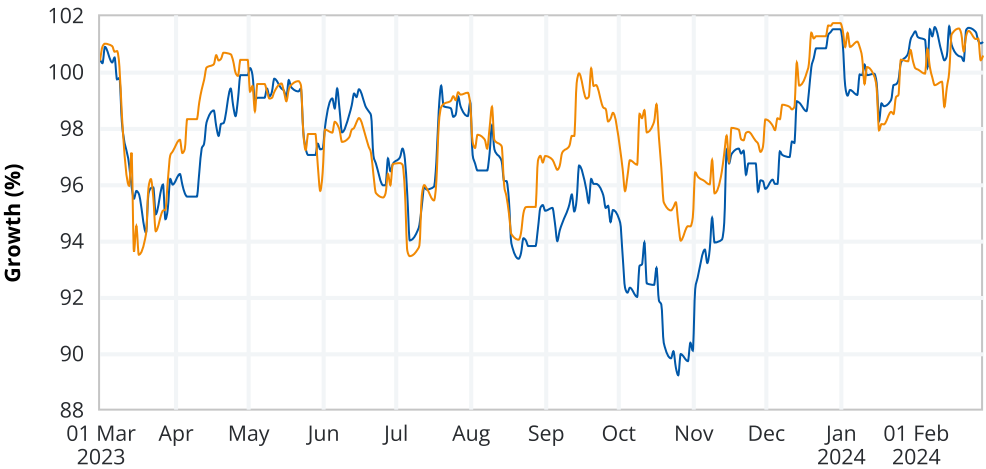
Not Applicable

OVERALL PERFORMANCE

● Premier Miton Responsible UK Equity C Acc ● FTSE All-Share Total Return GBP

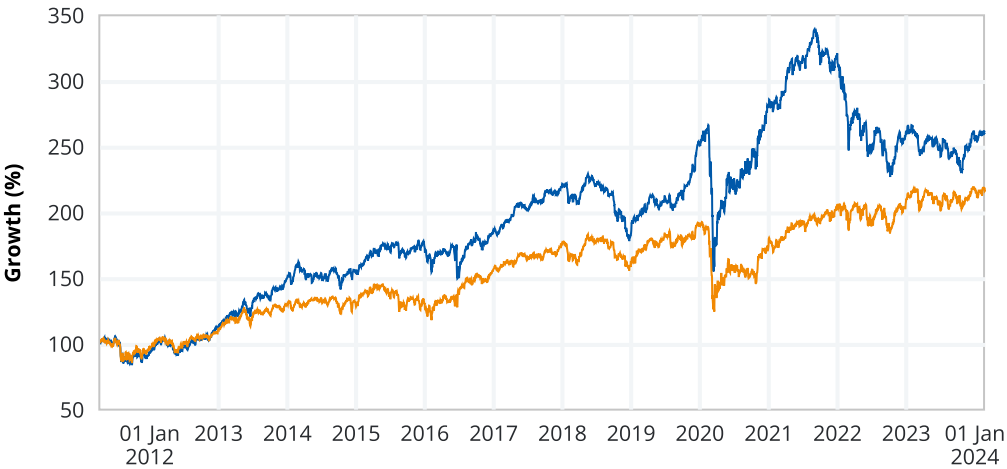
GROWTH (%) - OVER 1 YEAR

1 Mar 2023 - 29 Feb 2024



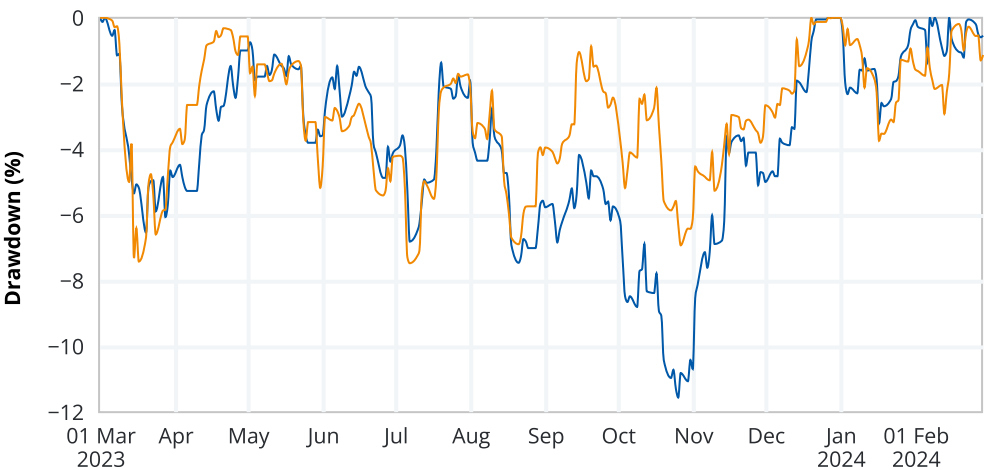
GROWTH (%) - FROM INCEPTION

19 Apr 2011 - 29 Feb 2024



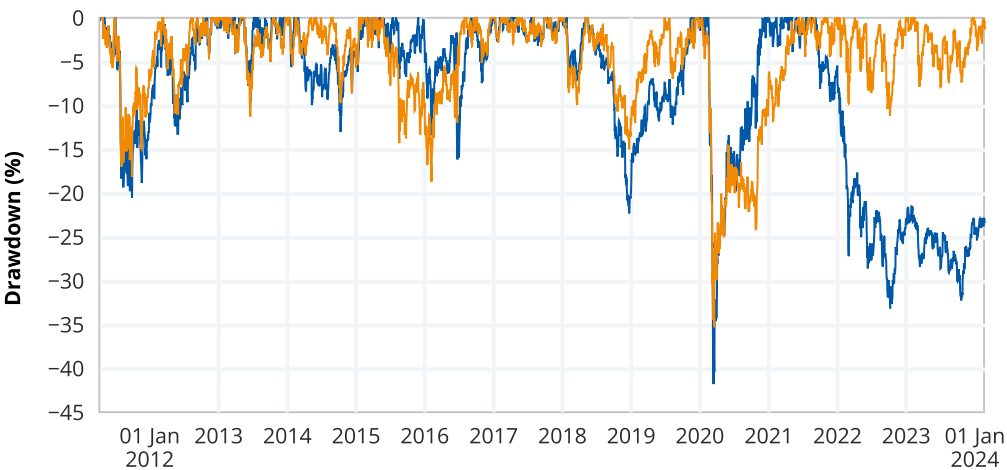
DRAWDOWN (%) - OVER 1 YEAR

1 Mar 2023 - 29 Feb 2024



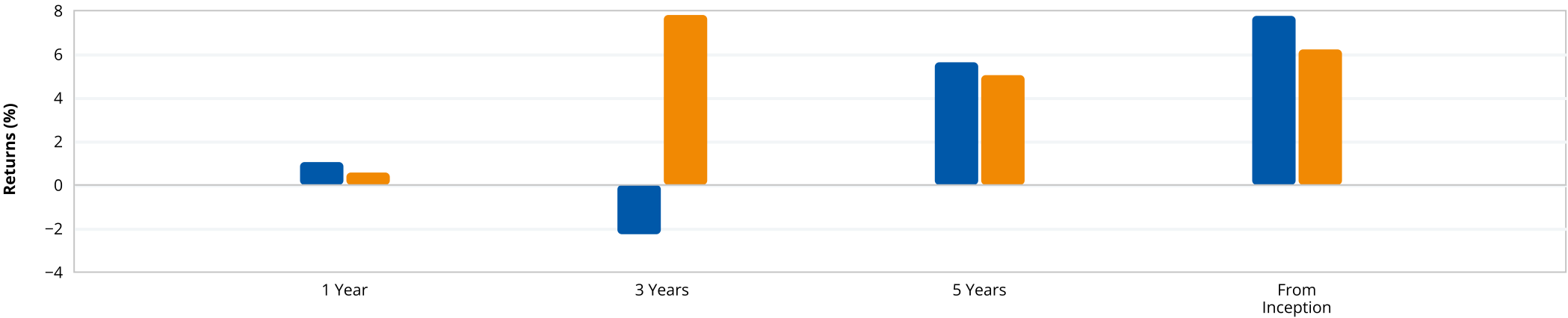
DRAWDOWN (%) - FROM INCEPTION

19 Apr 2011 - 29 Feb 2024



RETURNS

● Premier Miton Responsible UK Equity C Acc ● FTSE All-Share Total Return GBP



MONTHLY BREAKDOWN AND YEARLY TOTALS (%)

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YEAR
2024	-0.20	-0.25											-0.44
2023	1.20	-1.19	-4.01	4.05	-2.64	-0.54	1.76	-3.21	-0.18	-4.96	6.35	5.61	1.50
2022	-6.65	-8.14	-0.76	1.12	-2.24	-8.26	6.17	-5.17	-6.75	2.94	8.23	0.10	-19.19
2021	-1.08	0.67	4.33	7.81	0.80	-1.04	2.66	4.16	-2.49	-1.70	-4.29	3.89	13.88
2020	1.33	-10.85	-20.92	15.88	5.20	1.76	-1.41	4.28	3.52	-0.22	9.67	7.29	10.75
2019	7.07	1.53	1.91	5.67	-4.68	2.37	1.34	-2.17	4.60	1.87	7.35	7.05	38.68

Capped to 6 years.

ANNUALISED ROLLING RETURNS (%)

	1 YEAR	3 YEAR	5 YEAR	INCEPTION
●	1.05	-2.26	5.63	7.76
●	0.57	7.80	5.04	6.22

CUMULATIVE RETURNS (%)

	1 YEAR	3 YEAR	5 YEAR	INCEPTION
●	1.05	-6.61	31.39	160.60
●	0.57	25.21	27.74	116.77

Premier Miton Responsible UK Equity C Acc

FTSE All-Share Total Return GBP

PERFORMANCE - OVER 1 YEAR

1 Mar 2023 - 29 Feb 2024

RETURNS (%)	1.05	0.57
VOLATILITY (%)	11.14	11.59
ALPHA	-0.85 *	
BETA	1.17 *	1.00
CORRELATION	0.85 *	1.00
SHARPE RATIO	-0.33	-0.35
SORTINO RATIO	-0.46	-0.48
MAX DRAWDOWN (%)	-11.56	-7.47

*Calculated over a 3 year period where history permits.

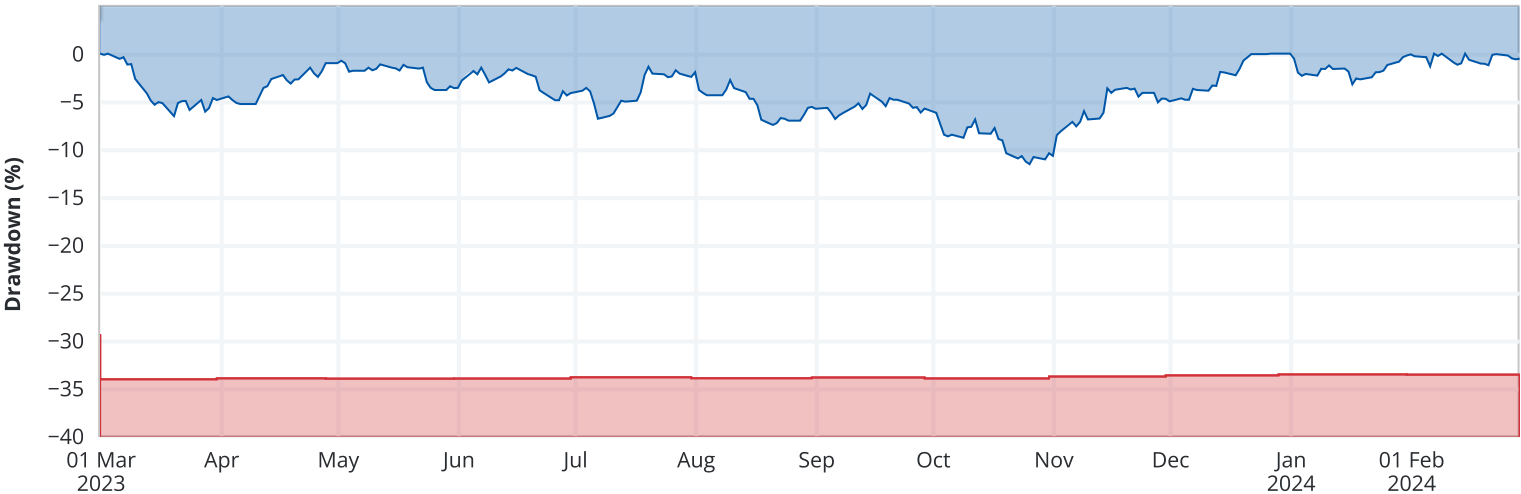
PERFORMANCE - FROM INCEPTION

19 Apr 2011 - 29 Feb 2024

RETURNS (%)	7.76	6.22
VOLATILITY (%)	17.06	15.41
ALPHA	0.13	
BETA	1.06	1.00
CORRELATION	0.82	1.00
SHARPE RATIO	0.39	0.34
SORTINO RATIO	0.53	0.46
MAX DRAWDOWN (%)	-41.80	-35.32

SIMPLE STRESS TEST DRAWDOWN (%)

1 Mar 2023 - 29 Feb 2024



Stress test notes

The chart shows the calculated drawdown over the last year. The Review Point is the fund intervention point. Any drawdown above this line indicates a typical drawdown in a normal market cycle. Should the drawdown hit the review point, then this indicates that market conditions may be abnormal. This is the point that we would consider taking immediate action for an extreme market event.

DISCLAIMER

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