

Premier Miton UK Smaller Companies Fund

Fund facts

Fund size	£52.8m
Launch dates	Fund - 14 Dec 2012 Share class - 14 Dec 2012
Fund structure	Open Ended Investment Company (OEIC)
Reporting dates	Final - 31 May Interim - 30 Nov
Base currency	GBP
Valuation point	12:00 noon
ISA eligible	Yes
Investment Association sector	IA UK Smaller Companies

Performance comparators
 FTSE AIM All-Share Index
 FTSE Small Cap (ex IT) Index
 IA UK Smaller Companies

Investment team



Fund manager
Gervais Williams
 Joined Premier Miton
Mar 2011
 Manager since
Dec 2012



Fund manager
Martin Turner
 Joined Premier Miton
May 2011
 Manager since
Dec 2012

Market Review

With the US trade tariffs deferred and a reduction in the risk of Iran developing nuclear weapons, equity market returns were strong over the second quarter.

Although the FTSE 100 Index appreciated by a further 3.19% over the quarter, it was UK quoted small caps that led the charge with the FTSE 250 Index up 12.52%, and the FTSE AIM All Share Index up 13.76%. Over the first half of the year all three indices have delivered returns well ahead of the US indices.

Performance

	30.06.20	30.06.21	30.06.22	30.06.23	28.06.24
Discrete annual performance (%)	30.06.21	30.06.22	30.06.23	28.06.24	30.06.25
Fund	87.63	-24.37	-25.59	9.95	4.49
FTSE AIM All-Share Index	42.46	-28.99	-12.50	3.41	2.80
FTSE Small Cap (ex IT) Index	65.20	-14.64	-0.35	18.54	13.10
IA UK Smaller Companies sector	53.07	-22.15	-5.46	14.07	2.64

Source: FE Analytics. Based on Sterling class B - Accumulation shares, on a total return basis to 30 June 2025. Performance is shown net of fees with income reinvested. On 30.11.2020, this fund moved from a single pricing basis (mid) to a swing pricing basis.

Past performance is not a reliable indicator of future returns.

The fund continued to appreciate over the second quarter, although many micro cap share prices haven't reflected the improving trend as yet. Although the Ondo InsurTech share price fell back after very strong outperformance, this was more than offset by the appreciation of Tiger Royalties, where the fund took considerable profits.

Over the quarter, the fund rose 9.39%, whilst the FTSE AIM All-Share Index returned 13.76%. The FTSE Small Cap Index (excluding Investment Companies) rose 15.08% while the IA UK Smaller Companies sector returned 13.10%.

Portfolio activity

Our stance remains cautious, as global growth momentum appears to be slowing. Yet with small caps being so lowly valued, a few holdings were added such as Plexus and Geiger Counter, which invests in nuclear mining companies.

Outlook

During globalisation, cross-border goodwill often resolved international disputes. But with the 'me first' attitude of nationalism, there is now less room for compromise. Geopolitical tensions are becoming more intractable. And with low-cost imports being tariffed, QE may not be available either and hence long-term government debt may become more costly.

In the past, these kinds of challenges were often accompanied by disappointing equity market returns. Furthermore, if the future comprises all sorts of unknowable risks, how can active managers make enough accurate assumptions to generate sustained outperformance?

We believe the answer lies in insights gathered from face-to-face meetings. That said, large cap company meetings only help to a degree. In group meetings for example, it is near-impossible to ask a sustained series of uncomfortable questions. And investor relations teams can normally only address questions covering a pre-prepared agenda.

Fortunately, with our small and micro cap focus, we can host numerous one-to-one meetings with CEOs and CFOs, that offer much deeper insight. We can test a management team's resilience under sustained pressure or use the meeting to accurately assess their tolerance to risk. And being two-way conversations, we can also probe on the strength of their customer service, and the how they motivate their frontline staff.

Given the value add via one-to-one meetings, our program is intentionally very extensive. By hosting meetings with numerous management teams of suppliers, competitors and customers of a corporate holding for example, we gain a much greater depth of insight than a meeting with the company, alone. Specifically, risks that others assume to be excessive, may only be moderate in the light of our intensive meeting program. And all the extra conviction is then reflected in the composition of the fund's portfolio.

Importantly, since we carry out such an extensive meeting program, we assess companies operating across the full range of industry sectors, including many with prospects that are somewhat uncorrelated with the rest of the portfolio. The fund therefore has much wider-ranging diversification.

Our broad meeting programme has another even greater advantage: it helps us identify small caps with share prices that have the potential to appreciate by many multiples. Initially, they may stand on overlooked valuations. But it is as they scale up and accelerate their earnings growth over a series of years that can fuel strong share price appreciation.

Clearly, stocks that appreciate by a multiple of their purchase price enhance portfolio return in all market conditions. But they become so much more valuable when mainstream equity indices are unsettled.

If anything, we believe its upside potential is now set to become considerably more potent.

During recessions, quoted companies can have disproportionate advantage. They can acquire overleveraged, but otherwise viable businesses, frequently debt-free from the receiver sometimes for as little as £1, because they can fund the necessary working capital by accessing external institutional capital. The upside on these deals can be excellent. Yet with large caps being large compared with the acquisitions, the incremental upside on these deals is usually somewhat limited. In the case of small caps however, the maths works so much better, with some deals driving transformational upgrades.

As asset market upward momentum runs out with nationalism, strong asset returns may become limited to specialist areas, such as UK small and micro caps in our view. A strategy like ours, appears superbly positioned. We are tremendously upbeat.

General risks

The value of stock market investments will fluctuate, which will cause fund prices to fall as

well as rise and investors may not get back the original amount invested.

Specific fund risks

Some of the main specific risks of investing in this fund are summarised here. Further detail is available in the prospectus for the fund.

Derivatives

Derivatives may be used within funds for different reasons, usually to reduce risk, which can be called "hedging". This can limit gains in certain circumstances as well. Derivatives can also be used to generate income or to increase the risk being taken, which can have positive or negative outcomes. The derivatives used can be options or futures which are types of contracts that are dealt on an exchange or negotiated with a third party. More complex derivatives may also be used. Derivatives can also introduce leverage to a fund, which is similar to borrowing money to invest.

Equities

Equities (company shares) can experience high levels of price fluctuation. Smaller company

shares can be riskier than the largest companies, companies in less developed countries (emerging markets) can be riskier than those in developed countries and funds focused on a particular country or region can be riskier than funds that are more geographically diverse. These risks can result in bigger movements in the value of the fund. Equities can be affected by changes in central bank interest rates and by inflation.

High volatility

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

Other investment risks

Funds may have holdings in investments such as commodities (raw materials), infrastructure and property as well as other areas such as specialist lending and renewable energy. These investments will be indirect, which

means accessing these assets by investing in companies, other funds or similar investment vehicles. These investments can also increase risk and experience sharp price movements. Funds focused on specific sectors or industries, such as property or infrastructure, may carry a higher level of risk and can experience bigger movements in value. Certain investments can be impacted by decisions made by third parties, such as governments or regulators.

Other risks

There are many other factors that can influence the value of a fund. These include currency movements, changes in the law, regulations or tax, operational systems or third-party failures, or financial market conditions that make it difficult to buy or sell investments for the fund.

Performance comparators

The fund is classified in the IA UK Smaller Companies sector, which we believe is a meaningful comparator to help investors assess

the performance of the fund. As the fund invests in UK smaller companies, we believe the FTSE Small Cap ex IT Index and FTSE AIM

All-Share index are also useful performance comparators.

Other information

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Please refer to the Prospectus and to the KIID before making any final investment decisions. A free, English language copy of the Prospectus, Key Investor Information Document and Supplementary Information Document are available on the Premier Miton website, or copies can be requested by calling 0333 456 4560 or emailing contactus@premiermiton.com.

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