

Premier Miton UK Smaller Companies Fund

Fund facts

Fund size	£44.8m
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 US and UK interest rate cuts, market momentum remained good during Q4. Even so, there is some investor wariness, and the gold price has continued to appreciate strongly.

Importantly in our view, there is also growing interest in asset diversification via equity income which has led to UK large-caps outperforming the US indices. At present UK small-caps are yet to match this wave of new capital allocations, but this may be quite close.

Performance

	31.12.20	31.12.21	30.12.22	29.12.23	31.12.24	31.12.25
Discrete annual performance (%)						
Fund	22.68	-30.56	-15.72	8.13	5.53	
FTSE AIM All-Share Index	6.12	-30.67	-6.40	-3.95	8.53	
FTSE Small Cap (ex IT) Index	31.26	-17.31	10.37	13.78	10.89	
IA UK Smaller Companies sector	22.92	-25.17	0.50	6.70	4.15	

Source: FE Analytics. Based on Sterling class B - Accumulation shares, on a total return basis to 31 December 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.

Over the quarter, the fund fell -3.96%, whilst the FTSE AIM All-Share Index returned -1.70%. The FTSE Small Cap Index (excluding Investment Companies) rose 3.23% while the IA UK Smaller Companies sector fell -0.31%.

During Q4 however, ongoing UK OEIC redemptions continued to weigh on micro-cap share prices. Despite the performance headwinds, we believe it is the fund's broader investment universe, that included numerous gold mining companies during 2025, that explains why its share price was resilient despite many micro-cap share prices drifting.

During Q4, mining stocks were the strongest contributors, in aggregate, they added to the fund's return although this was offset by Ondo InsurTech. We had already taken substantial profits on Ondo after very strong performance previously, but its share price fell back when it raised additional capital.

Portfolio Activity

Following outperformance of the gold miners and defence stocks, major profits were taken in Q4. The Materials sector is still 21% of the fund's portfolio at the end of December, but we are continuing to take further profits in Q1. Energy is the second largest weighting at 16%, although its largest holding is Pulsar Helium which isn't particularly involved in energy production, sector classifications can be misleading.

Outlook

The key defining feature of the Premier Miton UK Smaller Companies Fund strategy compared with other UK small-cap funds, is its much broader investment universe. The portfolio includes both small and micro-caps. It also includes companies right across the full range of industry sectors. The broader opportunity set means the strategy has greater potential to outperform the peer group. Its return pattern will not necessarily closely correlate with the fluctuations of the mainstream stock market indices either.

Over the last five years for example, the fund's small and micro-cap holdings have detracted from the capital appreciation of the strategy. Funds that almost solely invest in mid-caps have been less affected.

The fund's disappointing capital returns are not related to lesser growth from micro-caps however, but the fund's market capitalisation positioning. Many of the valuations of small and particularly the micro-cap stocks have fallen, even at a time when most are continuing to trade well. We believe this is a market distortion caused by the scale of ongoing OEIC redemptions.

We now anticipate a catch-up trade. During 2025, despite the OEIC redemptions, UK large-caps outperformed the US indices for example, including the US technology winners. The fund's portfolio currently stands at a very low Price/Book valuation and hence it has the potential horsepower to outperform in future.

Globalisation was all about buoyancy. With inflation being benign, central banks were able to inject additional market stimulus at will. Companies and governments that ran out of cash were able to borrow more. There was no urgency to ensure that income exceeded expenditure. Governments ran large budget deficits year after year. Zombie corporates survived.

With nationalism however, those with cashflow deficits may find they are unable to borrow more at will. Governments and corporates could be forced to bring revenue and cost into balance. Global unemployment is already steadily rising.

Therefore, with nationalism we look forward to these quoted stocks that are generating surplus cash having a disproportionate advantage. The more unsettled the global economy, the greater the opportunity for companies generating surplus cash to outcompete those with cashflow troubles.

Specifically, acquiring overleveraged but otherwise viable businesses, debt-free from the receiver for a nominal sum can greatly boost corporate cashflow given that the outlays for them can be remarkably low. HSBC bought Silicon Valley Bank UK for £1 in 2023. The cashflow uplift with this acquisition is thought to amount to millions, although in percentage terms it wasn't that significant as HSBC generates so much surplus cash already.

But when similar deals are done by quoted micro-caps, the cashflow uplifts can sometimes be a multiple of their original cashflow, and hence they have the potential to drive material earnings upgrades.

In short, with nationalism, we anticipate that micro-cap EPS growth could start to outpace nearly all comparatives. Globalisation may have favoured mega-caps, but nationalism should favour micro-caps.

We also anticipate the new nationalist stock market pattern of return could last for decades. In our view, the UK stock market is at the start of a performance supercycle, with small and micro-caps set to outperform the majors due to their extra earnings growth. We remain 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, which is made up of smaller companies (excluding investment trusts) and FTSE AIM All-Share index, which is predominantly made up of smaller companies, are also useful performance comparators.

Other information

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Contact us

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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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