

Premier Miton

UK Value Opportunities Fund

Awards and ratings



Awards and ratings are based on past events and are not an indication of future performance. Correct as at date of publication. Please see page 3 for further information.

Fund facts

Fund size	£199.9m
Launch dates	Fund - 25 Mar 2013 Share class - 25 Mar 2013
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 All Companies

Performance comparators
 FTSE All-Share Index
 IA UK All Companies

Investment team



Fund manager
Matthew Tillett
 Joined Premier Miton
Oct 2022
 Manager since
Nov 2022



Assistant fund manager
Michael Shrives
 Joined Premier Miton
Jun 2023
 Manager since
Jun 2023

Market review

Once again the quarter was dominated by geopolitical and macroeconomic uncertainty. There was a waft of executive orders from the new US administration, including raising tariffs on allies such as Mexico and Canada. In the UK, the economy continued to stall as businesses and consumers digested the impact of the tax rises announced at the October budget. There were further fiscal cuts announced at the Spring statement in response to a weaker economic growth outlook.

There was a wide range of performance from major stock market indices. The FTSE 100 Index was remarkably resilient, returning 6.11%, well ahead of the S&P 500 Index which was down 7.21%. It was also over 10% ahead of both the FTSE 250 Index and the FTSE Small Cap Index.

This was all the more surprising considering that sterling rose 3% against the dollar during the quarter, which is typically a headwind for the more internationally oriented FTSE 100 companies when compared to the domestically focussed small and mid sized companies.

Performance

	31.03.20	31.03.21	31.03.22	31.03.23	28.03.24
Discrete annual performance (%)	31.03.21	31.03.22	31.03.23	28.03.24	31.03.25
Fund	70.39	-5.78	-6.93	8.15	1.66
Index	26.71	13.03	2.92	8.43	10.46
Sector	37.99	5.36	-1.86	7.65	5.09

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

Performance

The fund returned -4.3% during the period. The IA UK All Companies sector returned 0.42% and the FTSE All-Share Index returned 4.51%. The primary reason for the fund's underperformance stemmed from the multi-cap approach, which typically leads to a bias to mid and small cap companies.

It is important to emphasize that our decision to be invested so heavily outside of the FTSE 100 is an active one. This is where we find the most compelling value opportunities in the UK market currently. Because of this, we believe the small and mid cap segment of the UK market will deliver superior long-term performance when compared to the larger cap oriented FTSE 100, even if this has not been the case in the recent past.

The biggest negative contributors to relative performance were Shell and HSBC, both mega cap companies we do not hold and which rose 15% during the quarter.

Jet2 shares fell following somewhat cautious management commentary in the company's full year trading update. We note the company has a long history of conservatism in their guidance and financial planning which they usually end up beating.

Mining services specialist Capital was weak due to a disappointing delay to a major contract start date which led to a profit warning, albeit one which we believe is likely to be temporary in nature.

The biggest positive contributor to performance was SigmaRoc, the European building materials company. Well received full year results alongside the placing of the CRH holding caused the shares to rise.

Real estate company Helical's shares also rose. The company has reduced debt substantially through asset sales close to book value, causing a re-rating of the shares from very depressed levels.

Portfolio Activity

There were three new purchases and six complete sales. At the end of the quarter, the fund held 55 positions.

Industrial threads supplier Coats is an industry leader with a c.20-25% global market share. The products serve multiple end markets. They are typically only a very small percentage of the overall cost of the end product, making the company well placed to sustain a high level of profitability. Historically the company's very large pension deficit had put the stock off the radar of most investors, but this longstanding issue was resolved late last year, making the investment case now much cleaner.

Picton Property Property Income is an internally managed REIT that is mostly exposed to the industrial logistics sector. We see relatively low risk upside in this investment due to the high quality nature of the assets, sizeable rental reversion that is driving ongoing rental growth and a lowly leveraged balance sheet with interest costs fixed out to the 2030s.

Gulf Marine Services (GMS) is an energy services company specialising in the provision of support vessels to the offshore oil and gas and wind industries. Following a near death experience during the industry downturn in the 2010s followed by the pandemic, a new management team took over in 2021 and have since improved operations and radically reduced the financial leverage, which we expect to reduce to c 2x EBITDA this year. The financial risk is therefore much reduced, and we see a high chance of earnings upgrades over the coming 1-2 years as GMS replaces current contracts with new ones at higher day rates.

In the energy sector, the positions in BP and Energean were both sold, in part to fund the purchase of GMS. We believe BP's turnaround strategy is likely to be messy and protracted. We have been disappointed with Energean's operational underperformance which have somewhat impaired the valuation case for the stock.

Eurocell was sold in order to fund increases to the positions in Howden, Grafton and Stelrad, all of which have similar end market exposures but where we have more confidence in the upside case.

Breedon was sold due to valuation considerations. Whilst a case can be made that the company's US assets deserve a higher valuation on the grounds that all equity market valuations for similar assets listed in the US are higher, we prefer to focus our efforts on other ideas where we are more confident in the absolute valuation case.

The position in Glenveagh Properties, the Irish housebuilder, was sold in part on valuation considerations but also due to increased concerns over the operational resilience and reliability of the reporting at the company.

Finally, we sold the remaining position in Intermediate Capital on valuation grounds following strong share price appreciation.

Outlook

Recent months have seen an increase in market turbulence as financial markets have had to digest major geopolitical and macroeconomic shifts and shocks. It is likely that this will continue for some time, with the new US administration seemingly intent on raising tariff barriers, the impact of which remains to be seen.

In these uncertain times, it is especially important for equity investors to remain focussed on the longer term prize. Equity investing has delivered over the long term because it offers exposure to corporate earnings which typically rise over time with inflation and the growth of the global economy. This should continue to be the case, even if there are major changes to the geopolitical and economic landscape following shifts in US economic policy.

For UK equity investors, the long-term opportunity remains especially attractive for two reasons. Firstly, there is great scope for long-term earnings growth, especially amongst mid and small cap companies exposed to structurally growing industries and markets, many of which are held in the fund. There is also further potential for cyclical growth in earnings as various industries recover from the 2-3 year downturn since the turn in the interest rate cycle in 2022.

Secondly, the valuation on which UK equities trade is historically depressed, especially amongst the mid and small cap segment of the market. An eventual normalisation of these valuations offers further long-term upside for UK equity investors.

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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.

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

As the fund invests in UK companies, we believe the FTSE All-Share Index is a useful

performance comparator. 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.

Ratings, awards and other information

The methodology and calculations used by the third parties providing the ratings/awards are not verified by Premier Miton Investors and we are unable to accept responsibility for their accuracy, nor should they be relied upon for making an investment decision.

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Contact us

From 9:00am to 5:30pm, Monday to Friday, excluding bank holidays.



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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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