Premier Miton

Corporate Bond Monthly Income Fund

Awards and ratings

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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	£499.9m
Distribution yield	5.19%
Launch dates	Fund - 06 Nov 1995 Share class - 15 Jan 2001
Fund structure	Open Ended Investment Company (OEIC)
Reporting dates	Final - 30 Apr Interim - 31 Oct
Base currency	GBP
Valuation point	12:00 noon
ISA eligible	Yes

Investment Association sector
IA Sterling Corporate Bond

Performance comparator
IA Sterling Corporate Bond

Investment team

Fund manager
Lloyd Harris
Joined Premier Miton
Aug 2020
Manager since
Aug 2020

Fund manager
Simon Prior
Joined Premier Miton
Aug 2020
Manager since
Aug 2020

Assistant fund manager
Kishan Paun
Joined Premier Miton
Dec 2020

Fixed income markets were volatile in the first quarter, influenced by global monetary policy expectations and geopolitical risks.

The inauguration of President Trump led to an initial rise in US bond yields, with the threat of tariffs raising fears of a global trade war and increased inflation. This theme dominated the period. Concerns about US growth emerged and equities experienced a significant sell-off in the second half of the quarter. The upbeat mood among US businesses and consumers at the start of the year dissipated as business activity stalled and prices rose. The Federal Reserve held its federal funds rate in a range of 4.25%-4.5%. However, during the last meeting of the period, Fed Chairman Jerome Powell emphasized remarkably high levels of uncertainty and commented tariffs "tend to bring growth down, they tend to bring inflation up". The Fed announced a slowdown in quantitative tightening, reducing the monthly cap on U.S. Treasuries sales.

The UK market was also volatile, influenced by both domestic and international factors. January saw UK government bond yields surge as part of the broader global bond sell-off. Domestically, scepticism about the UK's fiscal policies, especially following the October 2024 Budget, contributed. The Bank of England reduced interest rates in the period by 25bps to 4.5%. The Monetary Policy Committee noted that global energy remained higher than last year, and inflation was projected to rise to around 3.75% in Q3 2025. The UK markets also reacted cautiously to the Spring Statement. The announcement of an additional £2.2 billion for defence spending and £13 billion for infrastructure also impacted market sentiment. The UK's Debt Management Office announced it would issue fewer bonds than expected in 2025/26, easing concerns about an oversupply of government debt.

The European Central Bank continued to lower interest rates, with the deposit facility rate cut to 2.5%. Policymakers indicated they saw monetary policy becoming less restrictive. There were market concerns about the potential increase in debt issuance. This surge was driven by a significant regime change in Germany, where Chancellor-in-waiting Friedrich Merz announced plans to amend the debt brake, unlocking hundreds of billions of euros for defence and significant infrastructure spending. This followed negative sentiment towards Europe from Trump and two years of weak GDP readings.

In January, credit markets continued where they left off in 2024, tightening with strong inflows into the asset class. Despite macro volatility, cash balances were put to work with the primary market opening strongly in the first few weeks of the year. Despite many issues coming to market at fair value, books were still heavily subscribed, as the all-in yields remained attractive to investors. The Bloomberg Sterling Aggregate Corporate Index reached its lowest spread since July 2007 at +92 bps. However, February saw a turning point with geopolitical risks and tight valuations causing a halt in the relentless grind in spreads. Primary issuance continued to come to market at a strong pace and issuers continued to take advantage of tight spreads. The Aerospace and Defence sector performed well in February as European governments ramped up budgets in response to security threats and the need for Europe to support itself rather than rely on the US. Trump's tariff announcements continued to impact the market, with the automotive sector hit by tariffs announced on imported vehicles and automotive parts as well as steel. The Sterling denominated investment grade market underperformed at the end of the period with the Bloomberg Sterling Aggregate Corporate Index widening by 15 bps in March.

Performance

Discrete annual performance (%)	31.03.20 31.03.21	31.03.21 31.03.22	31.03.22 31.03.23	31.03.23 28.03.24	28.03.24 31.03.25
Fund	7.38	-3.13	-6.62	6.57	4.58
Sector	9.02	-4.25	-9.14	7.35	3.20

Source: FE Analytics. Based on Sterling class C - Income shares, on a total return basis to 31 March 2025. Performance is shown net of fees with income reinvested. On 20.01.2020, 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 overall performance of the fund was 1.21% for the quarter, compared to the IA Global Corporate Bond sector at 0.88%, an outperformance of 33 bps.

Credit performed well overall for the fund. We believe coming into the year generally shorter duration was a benefit. In terms of credit spreads, the fund benefited from its exposure to subordinated financials, which – despite the turbulence – held up well, with Oldenburgische Landesbank AG's bond tightening in excess of 100bps over the period. Advanzia Bank also tightened in excess of 65 bps over the period too, demonstrating the strong backdrop for banks as they continue to benefit from higher interest rates and net interest margin.

Detractors in the fund included Drax's bond, with just under 70 bps of widening undoing the rally it exhibited in December. Sterling spreads weakened into quarter-end and we saw support reducing for biomass technology under the new government.

Income

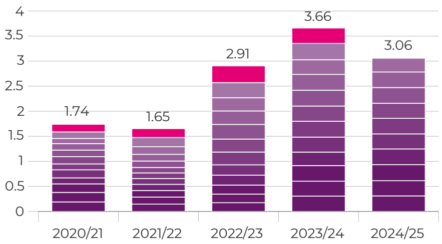
Distribution yield	5.19%

The distribution yield reflects the expected income distribution over the next twelve months as a percentage of the fund price as at the date shown. The distribution yield is higher than the underlying yield because some of the expenses are charged to capital. It does not include any preliminary charge and investors may be subject to tax on their distributions.

Payment frequency	Monthly
Payment dates	28th of each month
Ex dividend dates	1st of each month

Income distribution (pence per share)

Total income distributions in each of the fund's last 5 financial years.



The dividend amount that is paid each year can go down and up and is not guaranteed.

Portfolio Activity

The duration positioning was highly active in the turbulent quarter but ended shorter by the end of the period by 200 bps. The fund was highly active in the credit market, too – particularly in the initial two months as companies looked to continue to take advantage of the tight credit spreads. We invested in a number of new issues including those from Volvo trucks, US insurer Athene, Milanese airport Esercizi Aeroportuali, BT and some of the higher quality UK water names post the regulatory final determination in December last year.

Outlook

We are of the view that tariffs will continue to alter supply chains across the globe, with higher costs for companies and an acceleration of deglobalisation that we have seen over recent years. We expect inflation to remain sticky and risk premiums to increase. As a result, we believe that in the medium term we could increase the quality of the assets in our fund and will look to take advantage of trading opportunities. We expect curves could steepen as goods inflation rears its head again on the back of tariffs.

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.

Fixed income
Fixed income investments, such as bonds, can be higher risk or lower risk depending on the financial strength of the issuer of the bond, where the bond ranks in the issuer's structure or the length of time until the bond matures. It is possible that the income due or the repayment value will not be met. They can be particularly affected by changes in central bank interest rates and by inflation.

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 comparator

The fund is classified in the IA Sterling Corporate Bond 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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