PREMIER MITON

Premier Miton

Financials Capital Securities Fund

Awards and ratings

MSCI ESG RATINGS AA

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	£152.5m
Distribution yield	7.23%
Launch dates	Fund - 14 Sep 2020 Share class - 14 Sep 2020
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 Specialist

Performance comparator
ICE BofA Contingent Capital Hedge GBP Index

Investment team

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

Fund manager
Simon Prior
Joined Premier Miton
Aug 2020
Manager since
Jan 2023

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

In January, UK government bond yields surged 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 prices remained higher than last year and warned of a potential rise in inflation. The UK markets reacted cautiously to the Spring Statement and news of increased defence spending.

The UK banking system entered 2025 with solid earnings and robust balance sheets. Despite mixed reactions to the government's fiscal policies, economic stability supported net interest margins and asset quality. The Bank of England announced capital stress tests for the sector with results to be released by the end of the year.

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 quarter. 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 due to heightened uncertainty around the economy, with stalling business activity, and rising prices. 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 the remarkably high levels of 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 European banking system faced heightened geopolitical risks and macroeconomic uncertainties. The European Central Bank continued to lower interest rates, with the deposit facility rate cut to 2.5%. We could possibly see some net interest margin deterioration if rates are cut much lower than this level. However, the market saw the ECB's latest statement at the time of writing as being more hawkish, as 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.

The first quarter saw the end of the relentless grind tighter in spreads, with the markets bombarded by new issuance, Trump headlines and geopolitical tensions.

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	-	0.75	-10.02	16.45	10.57
Index	-	-2.73	-13.94	19.28	10.46

Source: FE Analytics. Based on Sterling class C - Accumulation shares, on a total return basis to 31 March 2025. Performance is shown net of fees with income reinvested. This fund is priced on a swing pricing basis. The full 5 years of calendar year performance is not available as the fund launched on 14.09.2020. ICE Data Indices, LLC is used with permission.

Past performance is not a reliable indicator of future returns.

Against this backdrop, the fund returned 1.65% in the first quarter. This compares to the ICE Bank of America Contingent Capital Index, which returned 0.36%.

The fund was positioned in short call, high reset, high coupon subordinated financial bonds, invested in economies which we believed to have supportive banking environments. We were looking to avoid companies with tariff-impacted sectors and geographies and produce returns with lower volatility than the index. Notable examples of strong performance included Oldenburgische Landesbank AG's bond tightening over the period after the announced sale to Credit Mutuel. Vanquis Banking Group also tightened over the period as the bank highlighted its lack of involvement in the motor finance case currently ongoing. This was amidst the strong backdrop for banks as they continued to benefit from higher interest rates, benign asset quality and greater net interest margins.

One of the detractors from the fund's performance over the quarter was the Deutsche Bank 4.789% Perp AT1. This saw some spread widening as it seemed this bond was not going to be called. However, given the reset rate over the 5-year Treasury was above market spreads, we believed the bond after reset was still attractive.

Portfolio Activity

The first quarter of the year often sees a greater level of new issuance. This year was no different as banks and insurance companies alike rushed to take advantage of the tight spreads in the market at

Income

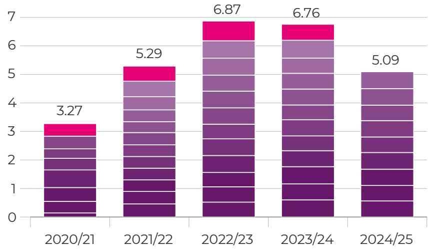
Distribution yield	7.23%

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 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.

the beginning of the year. Some of the new issues we acquired included Irish Bank AIB 6% Perp AT1 and Aviva 7.75% Perp RT1 as a part of our strategy which focuses on finding mis-priced high quality subordinated financials.

Outlook

We are of the view that tariffs will continue to alter the 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. This could possibly negatively impact the consumer in the short term, so we therefore remain cognisant of asset quality and monitoring delinquencies. 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.

In financials specifically, we believe the UK could offer high quality banks with less exposure to US tariff impacts.

Notably, we do believe Trump's presidency has highlighted several risks to the banking system in the US.

De-regulation of the banking system, although potentially positive for loan growth, could lead to inadequate capital reserves and bake some fragility into the system. On the other hand, a rise in dealmaking with Trump's appointees being in control of the Federal Trade Commissioner (FTC) could mean a more favourable M&A environment, potentially increasing fee generation for investment banks.

Meanwhile, the Supreme Court will start to hear the historical motor finance lending case which is looming over a few of the banks in the UK.

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 risker 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.

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.

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 at least 75% of the fund will be invested in capital securities of financial institutions, including contingent capital bonds, we believe that that the ICE BofA Contingent Capital Hedge GBP Index is an appropriate comparator to enable investors to assess 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.

Contact us

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

0333 456 4560

contactus@premiermiton.com