

Premier Miton

# Optimum Income 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

<b>Fund size</b>	£93.3m
<b>Target yield</b>	7.00% p.a.
<b>Launch dates</b>	Fund - 01 Oct 2008 Share class - 25 May 2010
<b>Fund structure</b>	Open Ended Investment Company (OEIC)
<b>Reporting dates</b>	Final - 31 May Interim - 30 Nov
<b>Base currency</b>	GBP
<b>Valuation point</b>	12:00 noon
<b>ISA eligible</b>	Yes
<b>Investment Association sector</b>	IA UK Equity Income

**Performance comparator**  
 IA UK Equity Income

## Investment team



Fund manager  
**Emma Mogford**  
 Joined Premier Miton  
**Nov 2020**  
 Manager since  
**Nov 2020**



Fund manager  
**Geoff Kirk**  
 Joined Premier Miton  
**Jul 2017**  
 Manager since  
**Oct 2017**



Assistant fund manager  
**Mahgul Ansari**  
 Joined Premier Miton  
**Jun 2021**

## Market review

The UK market rose during the first quarter of 2025 against a backdrop of positive macro-economic data, including slightly better than expected headline inflation and UK retail sales in February. Moreover, the Office of National Statistics reported that the British economy grew at 1.5% compared with the same quarter in the prior year and an improvement from the third quarter which saw no year on year growth. The BoE held the base rate steady at 4.5% and Chancellor Rachel Reeves announced further spending cuts in the Spring Statement. The Office for Budget Responsibility also warned of further potential tax increases in the Autumn due to higher defence spending and weak global trade.

Consumer staples, healthcare and utilities performed better than other sectors in the first quarter of the year, whilst materials, media and related companies lagged other sectors.

## Performance

	31.03.20	31.03.21	31.03.22	31.03.23	28.03.24	31.03.25
<b>Discrete annual performance (%)</b>						
<b>Fund</b>	27.59	10.45	3.45	9.96		5.28
<b>Sector</b>	32.62	10.84	0.23	7.62		7.40

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.**

During the first quarter the fund rose 1.66% versus the IA UK Equity Income sector which rose 1.40%.

The key contributors to fund performance were **Smiths Group**, **DHL** and bottling company **Coca-Cola Europacific Partners ("CCEP")**, of which the latter gained entry into the FTSE100 during the quarter. We invested in CCEP last year after being impressed by its unique market positioning, good growth prospects in South East Asia and strong cash generation. It is pleasing to see the company evolve since then and now attract interest from a wider investor base, as a FTSE 100 member.

**Smiths'** shares rose due to an announcement by the CEO that the company's Detection and Interconnect divisions would be demerged over a period of 12 to 18 months. The company also upgraded its revenue guidance for the current year, which was taken positively by the market. German logistics company **DHL** also did well during the period, buoyed by recent pro-growth announcements by the German government.

The main detractors were **Smurfit Westrock**, **WPP** and **Bunzl**. Smurfit's shares underperformed other portfolio holdings over fears of a slow down in the US economy which may depress demand for packaging and cardboard boxes. **WPP** downgraded revenue guidance for the current year whilst **Bunzl** released full year results which failed to impress the market.

Of the 225 options that expired during the quarter, only 66 expired in-the-money requiring us to make payments to our counterparties. However, in aggregate the amount paid out on expiry exceeded the upfront cash premium received for those options. The largest payments were due for options written over our holdings in Smiths Group, Lloyds Banking Group and Sanofi. The share prices of these names rose above the strike prices of the options, which meant the fund's gains were capped at those levels.

## Portfolio Activity

We increased our position in **GSK** to 5% at the start of the quarter. A combination of a promising drug pipeline, strong earnings momentum and a high-quality vaccines business, which appears to be underappreciated by the market, was simply too hard for us to ignore. Whilst GSK's vaccines business has been beset by slow growth in the short term, we are convinced of management's long term growth ambitions. The previous overhang on the shares arising from Zantac litigation has now also been removed following various settlements.

GSK was funded by the sale of **LondonMetric Properties**, which was a low conviction idea for us given its reliance on acquisitions for growth. We believe companies adopting a more development focussed approach to property asset management are likely to be tomorrow's winners in the sector.

We also purchased a 1% position in travel retailer **WH Smith**, which we believe offers opportunities for revenue growth and margin expansion in key UK and US regions, as well as the rest of the world. In the UK, management see further opportunities to increase sales densities in travel and hospital channels whilst expanding the number of stores. In the US, WH Smith continues to adapt and build out its portfolio of stores, exploiting the best growth opportunities in airports as concession contracts come up for tender. WH Smith is raising its international presence, and we anticipate a significant improvement in profit margin as the company continues to amass scale.

Income

Target yield 7.00% p.a.

The annual yield is the sum of the quarterly yields for the four quarterly periods ending 30 November. Each quarterly yield is calculated by dividing the dividend covering the quarter by the share price at the start of the quarter and is expressed as a percentage. For example, if the dividend was 1p on 28 February and the price was 100p on 1 December, the quarterly yield would be 1/100 = 1%. The target yield is not guaranteed and can change.

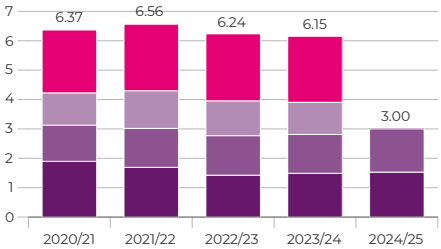
Payment frequency Quarterly

Payment dates 31 Jul, 31 Oct, 31 Jan, 30 Apr

Ex dividend dates 1 Jun, 1 Sep, 1 Dec, 1 Mar

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.

WH Smith was funded by reducing our position in **Next** from 3% to 2% following strong share price performance since we bought it two years ago.

At the end of March, 23 names and around 40% of the portfolio was overwritten. We continue to avoid selling options over names that we think have the potential for the share price to jump up suddenly. This will include names that we view as potential takeover candidates as well as companies reporting results during the period where we think they could be well received by the market.

Outlook

In the coming days or weeks, we may see Trump soften or enact a delay, but Liberation Day will still mark an historically important moment in markets when the global trading system changed. Unfortunately, this shock comes at a time when markets were vulnerable due to record high valuations in US equities.

The probability of a global recession is now materially higher which means a higher chance of weak and volatile markets. However, the UK is in a more favourable starting position, with a lower tariff, less exports to the US, and importantly UK equities start at a much more reasonable valuation with the prospect for good and growing income.

## 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 comparator

The fund is classified in the IA UK Equity Income 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

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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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