

## **SHINING A LIGHT ON..... PREMIER INCOME FUND**

### **At a glance**

When reviewing the UK market there are many good UK managers and the income fund space is clearly awash with good managers. We have met a couple of times the manager of the Premier Income Fund. In this update we want to capture the essence of what the manager is doing and why investors seeking income might consider this fund.

It is worth covering performance; over a 5 year plus the fund starts to outperform the index we have set (which is a fairly high barrier) but over a shorter period it is marginal. Where this fund differs is the yield (income) which has averaged 4.3%, this combined with the performance could make this an attractive option for investors.

The other area which is interesting is that the manager seeks returns across the market. It is not purely focused on FTSE 100 stocks. Only 36% comes from the FTSE 100. Mid Cap is 30% and balance comes from small cap.

In this update we will (hopefully) bring to life his style of management with examples of the types of stocks he likes.

### **Who are the team behind the fund?**

The fund is managed by Chris White who joined Premier Asset Management in 2010 from Threadneedle. He took over the management of the fund on 1 January 2011. He has over twenty years' experience.

### **Fund highlights?**

Throughout the update we focused on different stocks to give potential investors an idea of the types of stocks he might hold in the fund. Chris started by explaining that his focus is to limit the downside risk and at the same time achieve a dividend yield of circa 4.5% p.a. As he suggested he likes boring companies!

Two examples that we started with were Conviviality Retail and Safestyle. Conviviality Retail own Bargain Booze, they purchased at £1 with an 8% yield. Now the price is £1.80 and it continues to deliver strong dividends and growth upside.

Safestyle is another example of a company he likes which has seen strong growth in share price and good dividend yield. It is a door and window company that has and continues to grow market share, it is now the market leader controlling 10% of the market and a great success story.

It's not just about finding smaller companies but also looking at well-known brands. Some examples include Imperial Tobacco which he believes can continue to deliver dividend growth of 10% a year on a current dividend of 4%. I asked whether he thought the company could grow and he believes the opportunities are there as they are increasing volumes in Asia and Emerging Markets and it is a consolidated market.

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Dairy Crest is one he talked about when I first met him at the time he explained how they wanted to sell the dairy side and focus on the branded food business. Two years on and they are currently working on a deal to sell the dairy side. The Branded Food is one of the fastest growing businesses in the UK and he believes this will be taken over in time providing a big upside on the current price but in the meantime he is being paid 4% dividend to wait.

I asked whether he would consider banks and he explained that he has recently added Lloyds to the fund. He believes the dividends will be about 5% a year. We talked about value and he believes there is good upside value. PPI has been an issue but the bank has set aside reserves to cover this and an increase in interest rates will benefit the company. Overall he is very positive on the outlook for Lloyds.

We also talked about M&S and Debenhams both of which offer interesting opportunities. The point with all of this as Chris added is that he is searching out good companies who can generate cash and grow it. There are opportunities out there and it is about being careful and patient. Although the market is expensive the average PE ratio on his fund is 12.72 x vs 15.82 x which is the average. He is also happy to be cautious so he avoids food retailers like Tesco's and Morrison's where he feels there is more bad news before any good comes through and likewise he has nothing in miners, little in Oil and Industrials.

Ultimately you are buying a cautious fund manager who buys across the market spectrum searching out those companies which offer the best returns for investors. Even buying small companies doesn't necessarily bring additional risk. Big global companies are more likely to suffer in the slowdown in China compared to small domestic focused companies.

Clearly with Chris you have a manager who knows each stock well and won't take outsized bets. The performance has been average but the yield strong. If yield is important then this certainly is a fund to consider. If the fund is being used for growth then it may be worth comparing to other funds in the sector.

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## Fund performance

Performance from 2010 to 2015.

	2010	2011	2012	2013	2014	2015*
Premier Income Fund	12.76%	2.04%	10.05%	31.90%	2.20%	4.83%
iShares UK Dividend	13.34%	-6.62%	17.46%	24.15%	6.54%	4.06%

### **\*1 January to 31 August 2015**

1 year, 3 years, 5 years, 10 years and since the manager took on the management performance:

	1 Year	3 Years	5 Years	10 Years	Since taking management 1 January 2011
Premier Income Fund	3.40%	46.10%	77.15%	94.48%	58.69%
iShares UK Dividend	6.17%	46.32%	68.33%	50.07%	50.97%

*You should note that past performance is not a reliable indicator of future returns and the value of your investments can fall as well as rise. The total return reflects performance without sales charges or the effects of taxation, but is adjusted to reflect all on-going fund expenses and assumes reinvestment of dividends and capital gains. If adjusted for sales charges and the effects of taxation, the performance quoted would be reduced.*

## Conclusion

Chris is a good fund manager and he manages the fund well. Investors looking for income may well consider this fund as it is one of the highest income producing funds in the market. Those looking for growth may consider alternatives. For example, the SLI UK Equity Income Unconstrained Fund has a similar approach but over 1, 3 and 5 years and since Chris took over the fund has significantly outperformed this fund but it pays a lower income. It could be that something like this is used as a blend it just depends on what the investor is looking for.

*The source of information in this note has been provided by Franklin and is correct as at September 2015. These are notes from meeting the fund manager or representative and should not be seen as a recommendation to purchase any fund mentioned. Any reference to shares is not a recommendation to buy or sell. Should you wish to make a decision based on these notes we cannot take responsibility for this and you should carry out your own research before making a decision. You should note that past performance is not a reliable indicator of future returns and the value of your investments can fall as well rise.*