SHINING A LIGHT ON THE……
LF Miton European Opportunities Fund

AT A GLANCE

Investment Objective
The investment objective of the fund is to achieve a combination of income and growth.

Inception Date	14 December 2015
Fund Factsheet Link	http://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F00000WMCG

Management	
Manager Name	**Start Date**
Carlos Moreno	14th December 2015
Thomas Brown	14th December 2015

Investment Style Details	
Equity Style	
Market Capitalisation	**% of Equity**
Giant	2.25%
Large	21.47%
Medium	48.60%
Small	23.00%
Micro	4.69%

Top 10 Holdings		
Total number of holdings	51	
Assets in Top 10 Holdings	31.48%	
Name	**Sector**	**% of Assets**
Schibsted ASA A	Consumer Cyclical	4.00%
Homeserve PLC	Industrials	3.66%
Ferrari NV	Consumer Cyclical	3.61%
Qiagen NV	Healthcare	3.24%
Sika AG Registered Shares	Basic Materials	3.19%
Gaztransport et technigaz SA	Industrials	2.92%
Interroll Holding Ltd	Industrials	2.90%
FinecoBank SpA	Financial Services	2.81%
Wirecard AG	Technology	2.60%
GrandVision NV	Consumer Cyclical	2.55%

Volatility Measurements	
3-Yr Std Dev (volatility)	12.18%
3-Yr Mean Return (average)	21.30%

FUND PERFORMANCE

Performance from 1st January 2016 to 31st May 2019:

	2016	2017	2018	2019
LF Miton European Opportunities Fund	22.69%	28.66%	-4.00%	19.05%
MSCI Europe Ex UK	3.20%	14.48%	-10.55%	12.61%

Performance over 12 months, 3 years, and since launch:

	1 year	3 years	Since launch
LF Miton European Opportunities Fund	8.30%	74.67%	88.98%
MSCI Europe Ex UK	0.92%	22.16%	22.43%

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.

UPDATE….

The fund was established in 2015 and is co-managed by Carlos Moreno and Thomas Brown. Carlos came from JO Hambro where he managed the All Europe Dynamic Growth Fund, and Thomas came from Mitsubishi UFJ Asset Management where he co-managed the European value and Momentum Fund. They had previously worked together at Thames River as fund managers on the European desk.

The fund is a multi-cap fund, but the natural focus is on mid-cap where they find the greatest opportunities. They started by explaining that fundamentally they are bottom up stock pickers. If they look at the macro picture, then it is very messy. Valuations against US equities have got cheaper since 2016 so that doesn't tell them a great deal. There is conflicting data on whether investors are under or overweight Europe and investor sentiment is mixed.

What they do know is that there are good opportunities for stock pickers. What they are looking for are great businesses which they define as those with a high return on capital, barriers to competition and balance sheet strength. These types of business tend, in the good times, to re-invest, so that in the bad times they have a cushion to protect the business.

They are long term investors (5 years plus). What they look at is what the business will look like in 5 years or more, what earnings power can it have and what sort of valuation that might look like. This approach leads them naturally to the small and mid-cap space. Meeting companies is really important as well as is the use of local broker relationships.

The fund is looking to a maximum of 2 billion euros because beyond that it will restrict the ability to invest. In terms of risk they are macro neutral by equally weighting cyclical and defensive buckets, and the maximum position size is 4%. The volatility is slightly higher than the index but other metrics show investors are rewarded for taking on this extra risk.

They will sell when the future opportunity fundamentally weakens, the valuation bakes in the very best possible medium-term outcome, if a better opportunity arises, or if a takeover happens.

They believe investors will get access to interesting names that don’t tend to appear in other portfolios. Examples of buckets of holdings include:

Demographics – Amplifon, Carl Zeiss and Eurofins Scientific
Brand Power – Belimo, Brunello, Cucinelli, Ferrari
Technical Excellence – CTT, Chr Hansen
Online – Avanza, Finecobank

In summary, from the initial meeting the fund looks really interesting. The two areas we would explore further are when the fund might underperform, and key man risk, (i.e. who else is involved in the management of the fund). There are a number of European Funds and we would recommend this is compared to others in the market.

The source of information in this note has been provided by Miton and is correct as at June 2019. 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. We would also recommend that you receive advice before following up on any decision.