

Premier Miton European Opportunities Fund – September 2023

LWM FUND SPOTLIGHT PREMIER MITON EUROPEAN OPPORTUNITIES FUND

INVESTMENT OBJECTIVE

The objective of the Fund is to provide total returns, comprised of income and capital growth, over the long term, being five years or more. The Investment Manager aims to achieve the objective of the Fund by investing in an actively managed portfolio with a minimum of 80% of its assets in shares in companies listed in Europe, excluding the UK.

INCEPTION DATE

14th December 2015

FUND FACTSHEET

<https://www.trustnet.com/factsheets/O/mse/d/premier-miton-european-opportunities/>

MANAGEMENT

Manager Name

Start Date

Carlos Moreno

14th December 2015

Thomas Brown

14th December 2015

Russell Champion

1st December 2021

RATIO DATA (3-years)

Alpha	Beta	Max Drawdown	Max Gain	Max Loss	Negative Periods	Positive Periods	Tracking Error
-5.42	1.14	-35.98	17.65	-16.86	69	85	9.33

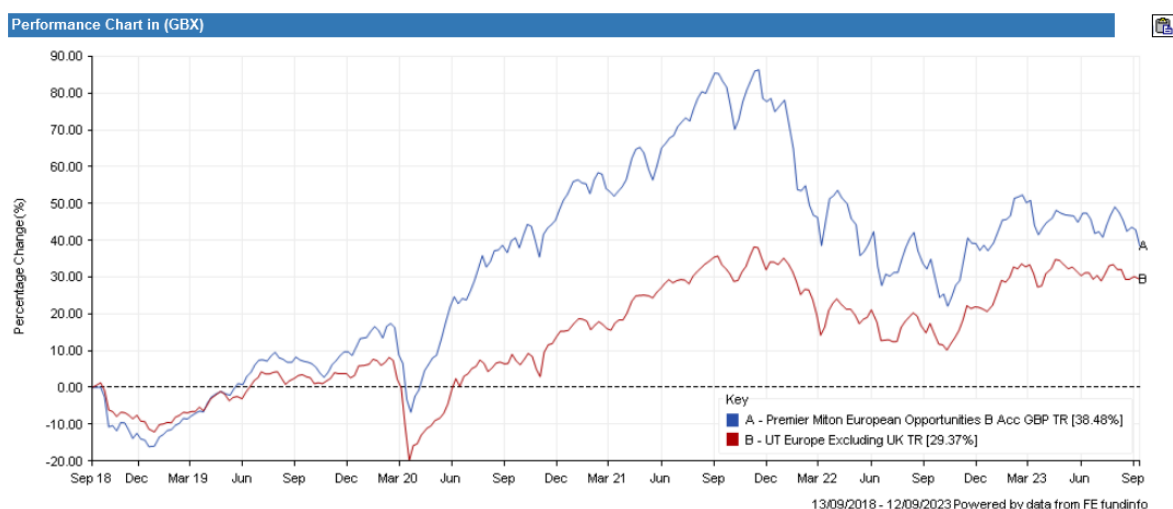
OTHER DATA

Benchmark	FTSE World Europe ex UK
Fund Size	£1,272.1 million
Fees	0.82% (R Share Class)

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BULL POINTS (PRO)	BEAR POINTS (CONS)
<ul style="list-style-type: none"> Strong long-term track record. Stable investment team. Benchmark aware, aim to build a portfolio focused on the highest quality companies irrespective of what is in the benchmark. 	<ul style="list-style-type: none"> The fund has significantly underperformed from the end of 2021 to date. Relatively high tracking error is a guide to volatility, and investors are not necessarily rewarded for the additional risk.

FUND PERFORMANCE



Cumulative Performance (GBX)					
	3 Months	6 Months	1 Year	3 Years	5 Years
Fund	-6.04%	-5.67%	1.29%	-1.51%	38.00%
Sector	-1.13%	-1.39%	8.90%	17.96%	29.37%
Relative to Sector	-4.97%	-4.34%	-6.99%	-16.51%	6.67%
Rank in Sector	94 / 105	94 / 105	88 / 101	79 / 85	18 / 78
Fund Quartile	4	4	4	4	1

Performance by Calendar Year in (GBX)					
	YTD	2022	2021	2020	2019
Fund	-0.73%	-22.13%	15.24%	38.25%	33.86%
Sector	5.60%	-9.56%	15.74%	10.74%	20.55%
Relative to Sector	-5.99%	-13.90%	-0.43%	24.83%	11.04%
Rank in Sector	92 / 104	88 / 96	56 / 88	3 / 85	1 / 78
Fund Quartile	4	4	3	1	1

Discrete Annual Performance to Last Quarter End (GBX)					
	0-12m	12m-24m	24m-36m	36m-48m	48m-60m
Fund	13.58%	-25.27%	34.89%	17.63%	11.99%
Sector	17.72%	-13.23%	23.77%	1.28%	3.33%
Relative to Sector	-3.52%	-13.88%	8.98%	16.14%	8.37%
Rank in Sector	78 / 100	84 / 90	10 / 85	4 / 82	2 / 78
Fund Quartile	4	4	1	1	1

Fund Price Movement (GBX)				
12 Month High	292.70 (Pence)	12 Month Low	223.10 (Pence)	
Annualised Ratios Over 36 Months				
	Alpha	Beta	Sharpe	r ²
Fund	-4.08	1.24	0.00	0.59
Fund Quartile	4	1	4	3

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

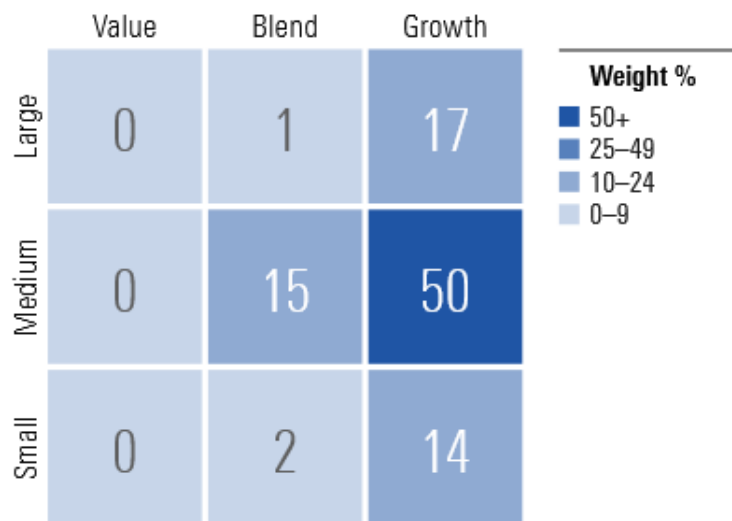
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Stock Style

Map

Weight

Historical



Style Measures

Measures

Market Cap

Avg Market Cap
4.91 Bil

Category Avg Market Cap
3.37 Bil

Index Avg Market Cap
62.87 Bil

Size	Investment %	Cat. Average %	Index %
Giant	5.88	1.93	46.92
Large	12.52	7.60	42.59
Mid	64.96	57.84	10.49
Small	12.65	25.32	0.00
Micro	3.67	6.36	0.00

GBP | Investment as of 31 Jul 2023 | Category: Europe ex-UK Small/Mid-Cap Equity as of 31 Jul 2023 | Index: Morningstar DM Eur xUK TME GR EUR as of 31 Aug 2023 | Data is based on the long position of the equity holdings.

Premier Miton European Opportunities Fund – September 2023

Style Measures

Measures

Market Cap

Value & Growth Measures	Investment	Cat. Average	Index
Price/Earnings	29.24	16.27	13.02
Price/Book	3.23	2.14	1.86
Price/Sales	3.07	1.07	1.19
Price/Cash Flow	18.76	8.70	7.92
Dividend Yield %	1.19	2.75	3.46
Long-Term Earnings %	17.60	13.13	11.34
Historical Earnings %	11.50	12.84	15.48
Sales Growth %	10.70	9.59	10.80
Cash-Flow Growth %	-0.44	-7.43	8.84
Book-Value Growth %	19.48	9.27	6.92

Investment as of 31 Jul 2023 | Category: Europe ex-UK Small/Mid-Cap Equity as of 31 Jul 2023 | Index: Morningstar DM Eur xUK TME GR EUR as of 31 Aug 2023 | Data is based on the long position of the equity holdings.

Holdings

Current Portfolio Date	Equity Holdings	Bond Holdings	Other Holdings	% Assets in Top 10 Holdings	Reported Turnover %
31 Jul 2023	48	0	2	35	—

Holdings	% Portfolio Weight	First Bought	Market Value GBP as of 31 Jul 2023	CI
Soitec SA Share From reverse split	5.65	31 Jan 2020	81,395,290	↓
Ferrari NV	4.21	31 May 2016	60,665,692	
Bachem Holding AG	3.66	30 Jun 2022	52,699,360	
ASML Holding NV	3.36	31 Oct 2018	48,459,137	
Interroll Holding Ltd	3.29	29 Feb 2016	47,400,103	
Adevinta ASA Class A	3.07	31 Oct 2019	44,292,785	
FinecoBank SpA	3.05	31 Jan 2017	43,975,645	
Azelis Group NV	3.04	30 Apr 2022	43,862,314	
Ypsomed Holding AG	2.97	30 Jun 2019	42,821,654	
Amplifon SpA Az nom Post Frazionamento	2.97	31 Jan 2016	42,770,366	

Holdings as of 31 Jul 2023 | The top 10 largest holdings are available for display across Equity, Bond and Other.

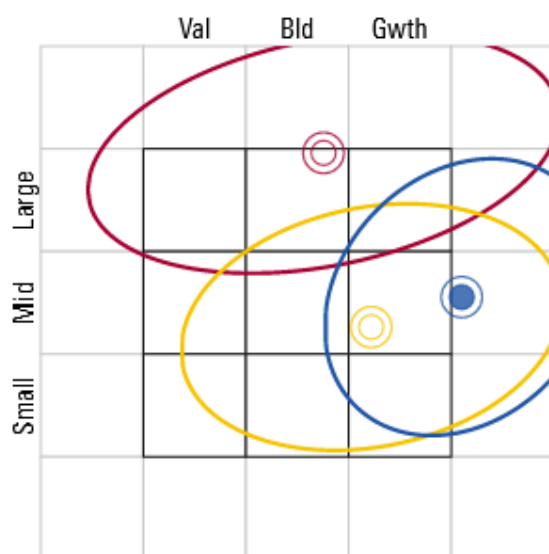
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Stock Style

Map

Weight

Historical



● Centroid

○ Ownership Zone

■ Premier Miton European
Opports B Acc
as of 07/31/2023

■ Europe ex-UK
Small/Mid-Cap Equity
as of 07/31/2023

■ Morningstar DM Eur xUK
TME GR EUR
as of 08/31/2023

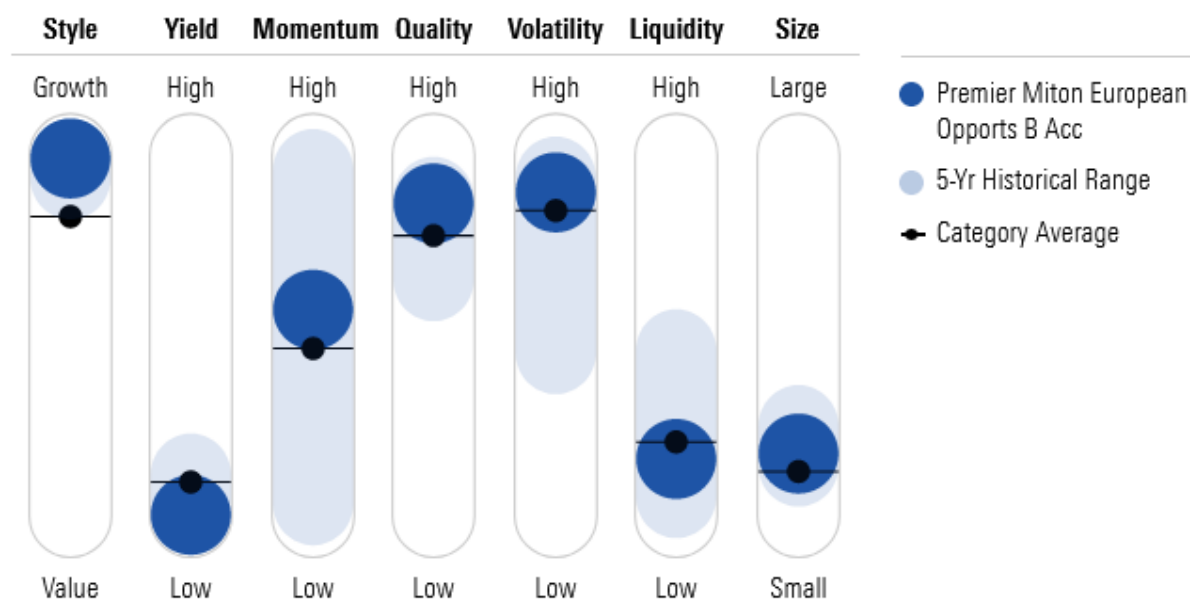
Factor Profile

1-Yr

3-Yr

5-Yr

vs. Category ▾



Investment as of 30 Jun 2023 | Category: Europe ex-UK Small/Mid-Cap Equity as of 30 Jun 2023

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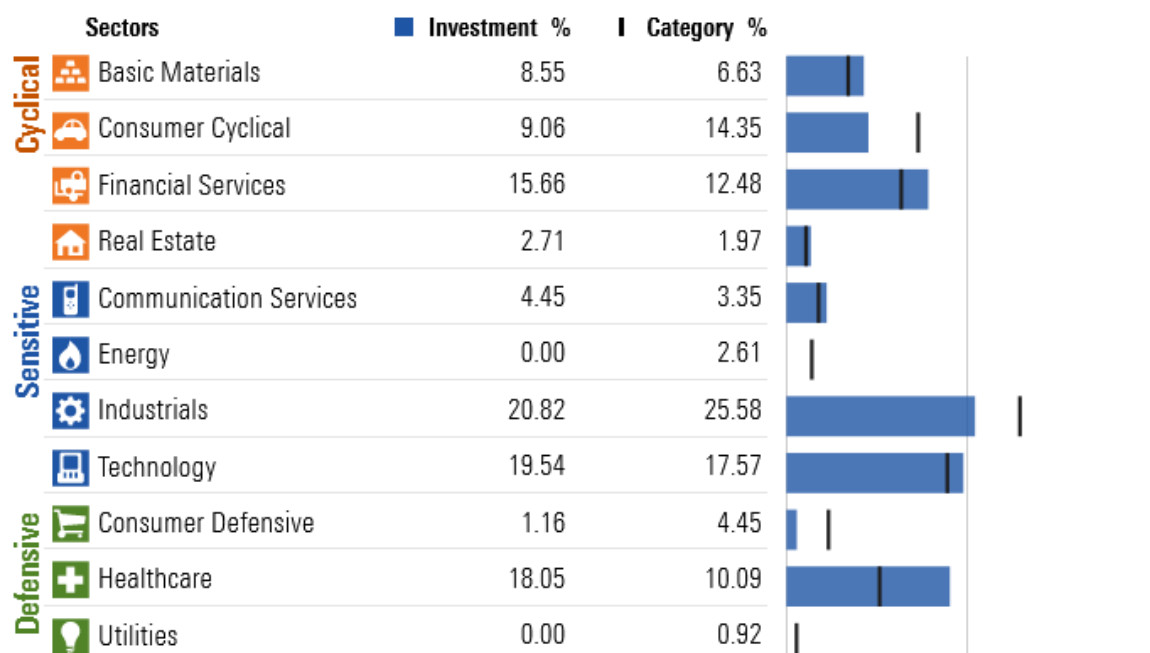
Exposure

Sector

Region

Country

vs. Category ▼



As of 31 Jul 2023 | Category: Europe ex-UK Small/Mid-Cap Equity | Sector data is based on the rescaled long position of the equity holdings. | Source: Holdings-based calculations.

Exposure

Sector

Region

Country

vs. Category ▼

Country	Investment %	Category %
Switzerland	21.68	12.12
Italy	13.48	13.00
France	11.29	16.46
Sweden	10.81	10.69
Norway	10.13	4.38
Netherlands	7.96	8.15
Germany	6.57	13.20
Belgium	4.66	4.26
Denmark	3.11	4.10
United Kingdom	2.90	1.22

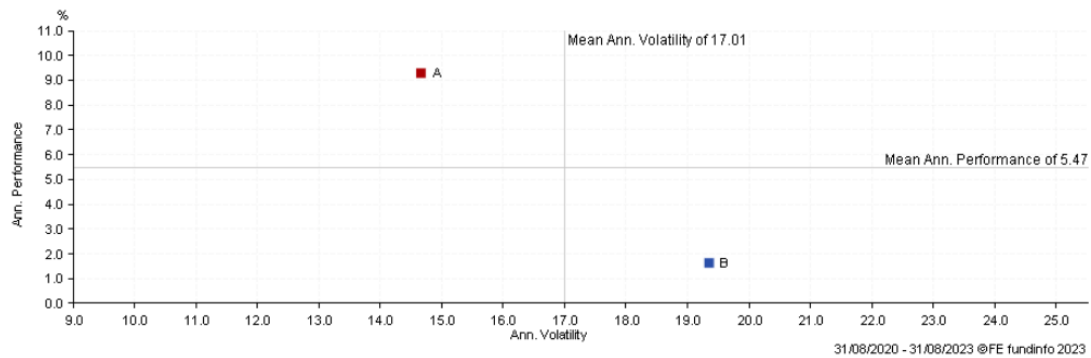
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As of 31 Jul 2023 | Category: Europe ex-UK Small/Mid-Cap Equity | Country data is based on the rescaled long position of the equity holdings | Source: Holdings-based calculations.

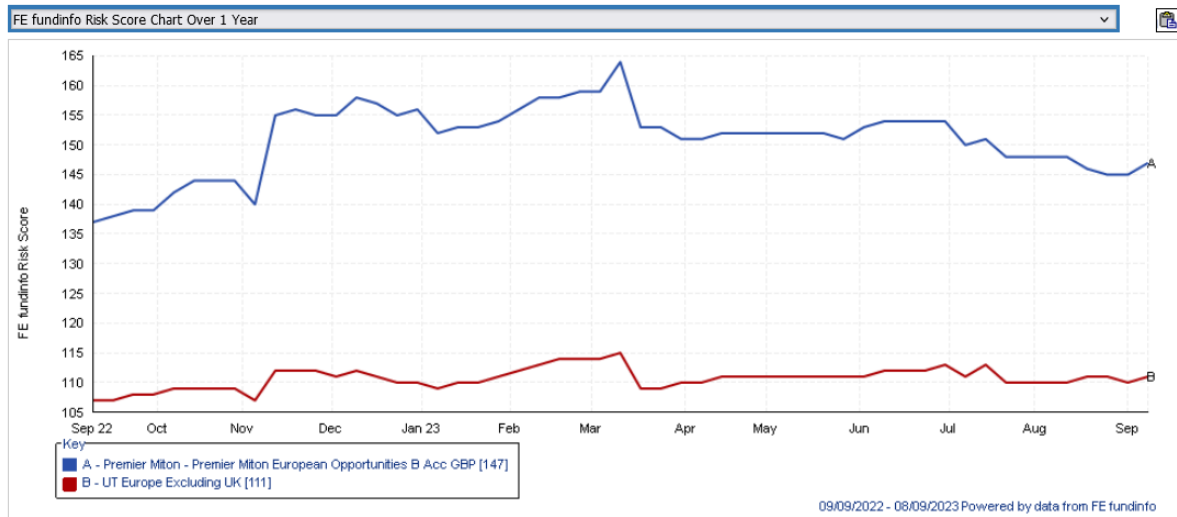
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Volatility

Pricing Spread: Bid-Bid • Currency: Pounds Sterling



Key	Name	Annualised Performance	Annualised Volatility
A	FTSE World Europe ex UK GTR in GB	9.30	14.66
B	Premier Miton - European Opportunities B Acc GBP in GB	1.63	19.35



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LWM FUND ANALYSIS

The presentation produced by the team highlights the strategy's performance since it was launched. As can be seen below, it has outperformed the index.

Pricing Spread: Bid-Bid • Data Frequency: Daily • Currency: Pounds Sterling



It was also one of the top European funds up to the end of December 2021. Since then, performance has declined.

Pricing Spread: Bid-Bid • Data Frequency: Daily • Currency: Pounds Sterling



For investors, the volatility is high; therefore, they appear not to be rewarded for that level of volatility. The two charts below are a good starting point:

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This fund is a multi-cap strategy but tends to be positioned more towards the market's mid and small-cap end. In a market downturn, small and mid-cap tend to suffer the most. The second clue to the underperformance is the style. This is skewed towards high growth, which has underperformed since the end of December 2021.

The chart below is also essential as it shows that what they hold is more expensive than the index, but long-term earnings and book-value growth are much higher.

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Style Measures

Measures

Market Cap

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So, the challenge for investors is whether they opt for something that has done well over the last couple of years and perhaps has had poorer long-term performance, or take a risk with a fallen angel. It is tough to see through the short-term underperformance.

If we go back to the start, it is worth asking what this fund looks to achieve. There are four critical areas of focus:

Quality focus considers return on capital, barriers to competition and balance sheet strength.

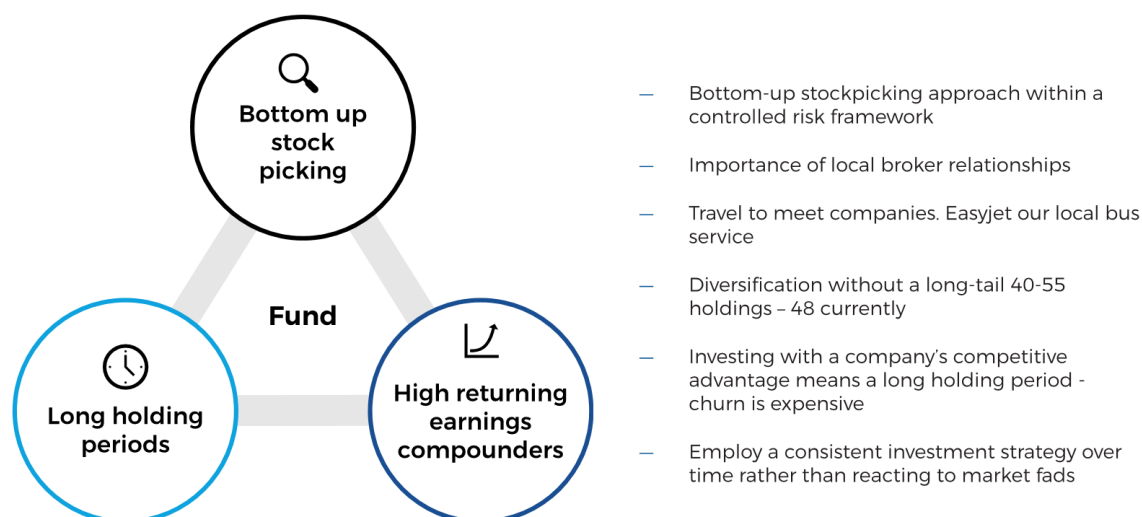
Earnings compounders – this considers revenue growth, investing at the same, or better, rate of return and buying companies changing for the better.

Markets efficient at short-term valuation – focus on the business's appearance in 5 or more years. Companies with a rising return on capital will likely have a higher multiple-based valuation.

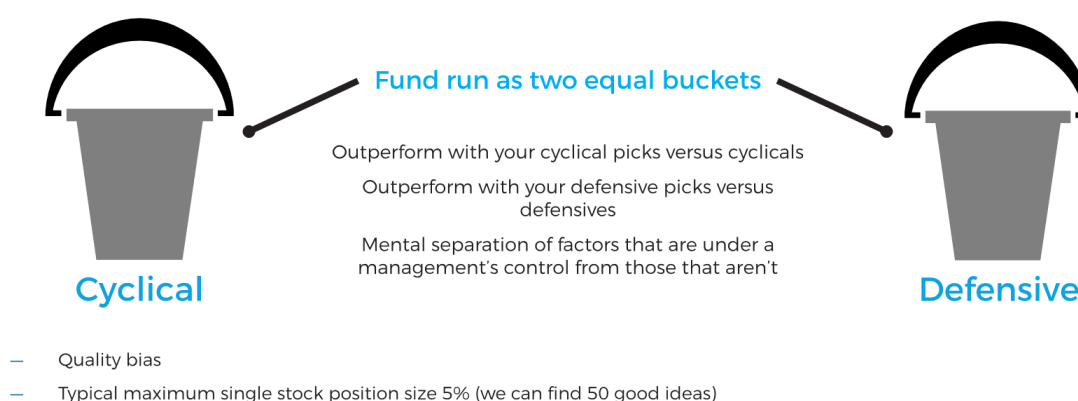
Benchmark aware but not benchmark constrained – process tends to produce a mid-cap bias in a multi-cap, unconstrained approach.

They sum their style up as follows:

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The strategy reduces risk by splitting the portfolio between cyclical and defensive stocks. In most cycles, this should deliver that consistency of returns.

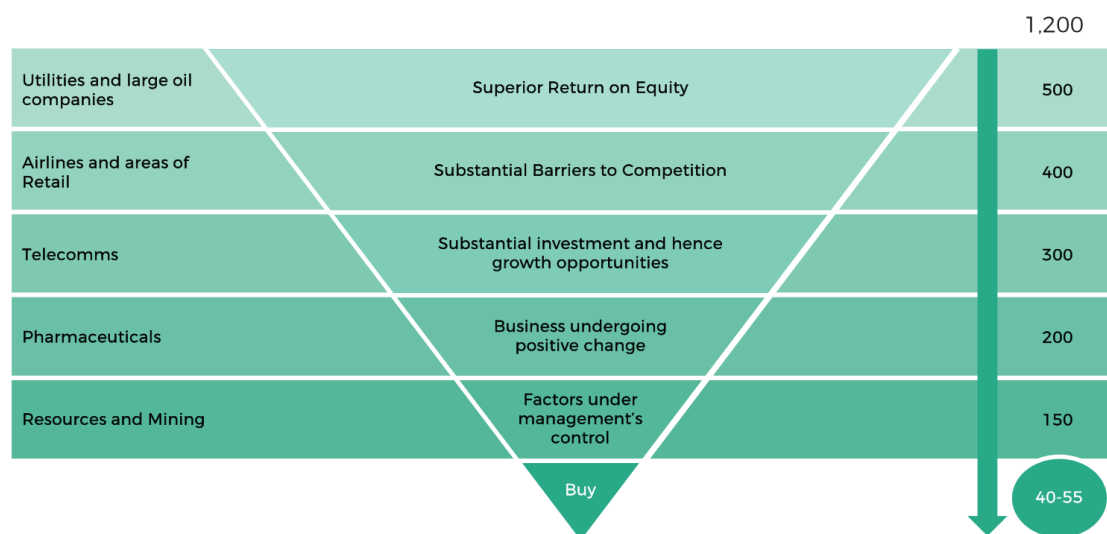


The chart below is another example of where perhaps it has underperformed. Their research process means that, naturally, companies drop out of their universe. Some of these companies are the ones that have driven the European market over the last 18 months. So not holding stocks will hurt performance.

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Where different sectors may fall out of the process:

Investable universe:



They tend to find companies in areas such as sustainable development, brand power, demographics, technical excellence and online. So when compared to the index, the table below shows the real difference:

		Fund weight %	Index weight % ¹
1	Nestlé	0.0	4.0
2	ASML	3.4	3.4
3	Novo-Nordisk	0.0	3.1
4	LVMH	0.0	2.8
5	Roche	0.0	2.6
6	Novartis	0.0	2.6
7	SAP	0.0	1.8
8	TotalEnergies	0.0	1.7
9	Siemens	0.0	1.4
10	Sanofi	0.0	1.4

Instead, the top ten looks like this:

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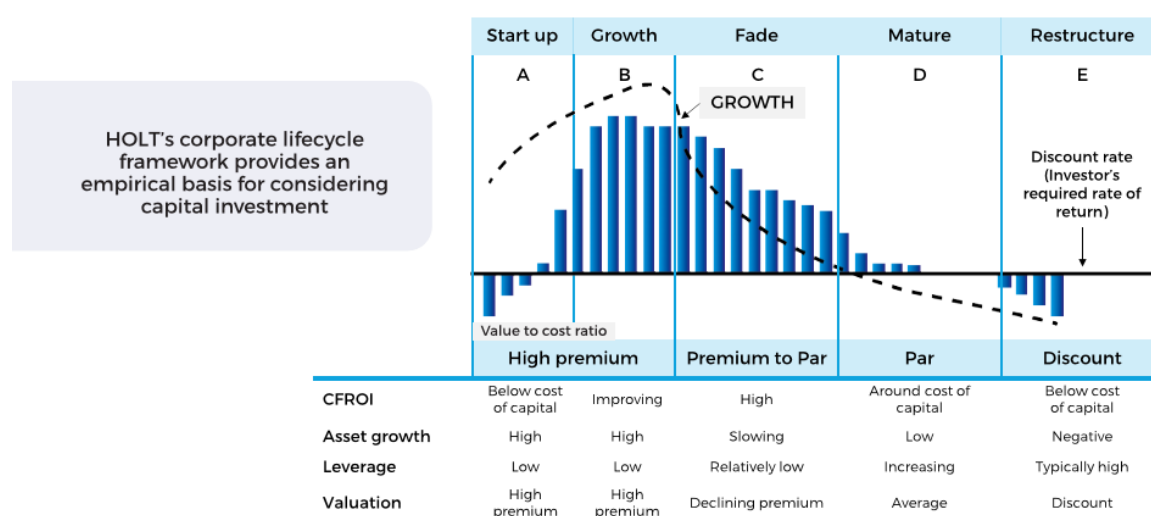
	Holding	Weight %	Description
1	Soitec (France)	5.7	Manufacturer of engineered substrates for the semi conductor industry. Just 1% of wafers today it could reach 10% this decade.
2	Ferrari (Italy)	4.2	Ultra premium car manufacturer. We think electrification strategy unappreciated plus new SUV has potential to significantly raise volumes.
3	Bachem (Switzerland)	3.7	Manufacturer of complex ingredients for next generation pharmaceutical manufacture.
4	ASML Holding (Netherlands)	3.4	Undisputed monopolist in leading edge technology for semiconductor manufacturing. Europe's technology hardware champion.
5	Interroll (Switzerland)	3.3	A Swiss manufacturer of warehouse / factory / airport material handling automation systems.
6	Adevinta (Nordics)	3.1	An outsourced formulation and sourcing provider in the specialty chemical and food ingredients industry.
7	FinecoBank (Italy)	3.1	Italian version of Hargreaves Lansdown.
8	Azelis Group (Belgium)	3.0	An outsourced formulation and sourcing provider in the specialty chemical and food ingredients industry.
9	Amplifon (Italy)	3.0	Global leader in hearing care retailing with over 10k points of sale.
10	Ypsomed (Switzerland)	3.0	Drug delivery device and insulin pump manufacturer

We talked to the team to understand the process and see whether anything had changed. Fundamentally, COVID pushed up the valuations of the companies they owned. This placed them in a challenging place. They could have sold out of companies, but there weren't the opportunities at the right price.

The chart below is significant. They are looking for those companies that are in a sweet spot. These companies are growing and are likely to have a unique proposition.

As an example, Ferrari is a luxury brand with no viable competitors. That may change over time with electric vehicles, but it highlights the types of companies they like.

HOLT corporate life cycle framework



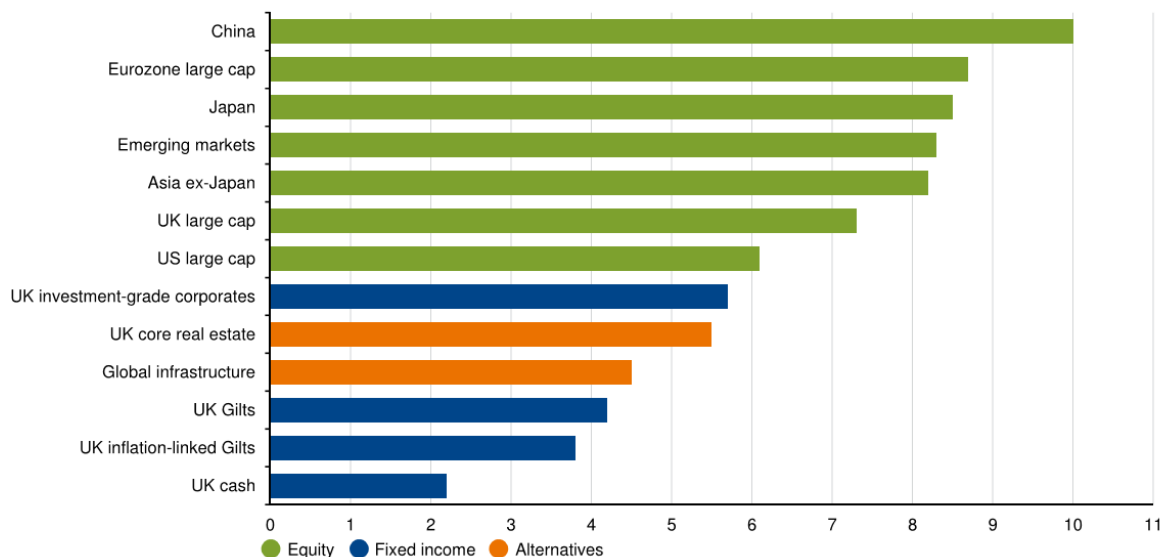
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When we look at the difference in holdings to the index, companies such as Novo and SAP have done well, which they would place in the mature bucket and be unlikely to hold. Some of the underperformance has partly come from what they don't own. This is important because they have changed the strategy to chase future returns.

We talked about the cyclical and defensive buckets. They explained that it is a lever. So, for example, they have about 20% in healthcare, and the majority is in defensive stocks. Whatever happens with inflation and interest rates, these will still do well. Amplifon is a more cyclical name as investors may cut back on expensive hearing aid options.

The two charts below are good ones to finish with. Firstly, the long-term projection for the European Large Cap is very positive, and secondly, this strategy is more skewed towards Mid-Cap, and as the chart below shows, this tends to outperform Large Cap.

2023 Long-Term Capital Market Assumptions expected returns in coming 10-15 years
%, annualised return in GBP



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STOXX Europe Mid 200 Index vs STOXX Europe 600 Index over 20 years¹



STOXX Europe Mid 200 Index vs STOXX Europe 600 Index since fund launch²



Source: Bloomberg. ¹Data from 30.06.2003 to 31.07.2023. ²Data from 18.12.2015 to 31.07.2023. Since launch date 14.12.2015. Past performance is not a reliable indicator of future returns.

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They are optimistic that the companies they hold are quality, meaning lower debt levels and, in most cases, market leaders and are growing. The other aspect is that they believe where the US benefited from giant tech and stronger banks over the last ten years, this is changing. Google and Facebook will likely be challenged, especially with AI.

Conversely, Europe offers opportunities across luxury products and green technology and is more attuned to the changing environment. So, for them, it is not just about great companies that will do well whatever the background but also the belief that Europe will outperform the US over the long term. One small green shoot is that they have seen recent M&A activity, which has seen two companies taken over by private equity firms. M&A is not something they necessarily want, but it does show an increasing interest in the region.

Premier Miton has provided the source of information in this note, and it is correct as of September 2023. 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 conduct your research before making a decision. We would also recommend that you receive advice before following up on any decision.

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