FUND RANGE

RSMR

Our Research. Your Success.

PREMIER MITON INVESTORS

Premier Miton Diversified Fund Range

July 2023

OUR RESEARCH. YOUR SUCCESS

CONTENTS

FUND RANGE PROFILE – PREMIER MITON DIVERSIFIED FUND RANGE

OUR FUND RANGE PROFILES provide an in-depth review of our leading rated fund ranges and are designed to give advisers, paraplanners and analysts an 'under the bonnet' view of the funds.

In providing more detailed commentary than a standard fund range factsheet we believe our fund range profiles set the standard for the next generation of research notes, aiding in fund selection and in meeting the ongoing suitability requirements expected by the FCA, and helping ensure firms deliver good client outcomes.

RSMR rated the Premier Miton Diversified fund range in April 2021. The main Diversified Growth fund was launched in December 2010, and the current lead fund manager, Neil Birrell, took over the fund's management in March 2013. The Diversified Income fund followed in June 2017 and the range was expanded further with the launch of three other growth funds across different risk profiles in March 2019. They are an actively managed suite of mainly directly invested, cost competitive multi-asset solutions with differing risk and return profiles.

The funds are managed with a combination of top-down macroeconomic and market analysis and bottom-up investment selection. Neil Birrell is responsible for the funds' asset allocation positioning, but he draws upon the opinions of various fund managers within the Premier Miton fund management team who are responsible for different asset classes. Investment decisions are then delegated to the same fund managers to build appropriate sub-portfolios, although Birrell has ultimate responsibility for all fund decisions.

As Premier Miton's Chief Investment Officer, Neil Birrell is uniquely positioned to manage funds of this nature using the current investment process. He has direct access to the different fund management teams and has first-hand knowledge of their different skills. The Diversified Growth fund has produced a strong, longer-term track record and the remaining funds in the range have performed well since their respective launches. We believe they have the ability to generate competitive risk-adjusted returns over the medium to long term.

NOTE – On 1st March 2021, the Diversified funds investment team took on the management of the Premier Miton Balanced Multi Asset Fund. On 1st March 2022 the name, investment objective and policy were changed to Premier Miton Diversified Sustainable Growth Fund to reflect the focus on investment with a strong ESG profile. Although the Premier Miton Diversified Sustainable Growth fund is managed by the same team, it is not currently rated by RSMR and is outside the scope of this review.

Andrew Robinson, Senior Investment Analyst, RSMR

Andrew is a member of the research team, providing detailed analysis to support the research managers. Andrew joined RSMR after working in industry where he continued to maintain a close interest in the financial world, studying for and completing exams for the Chartered Institute for Securities & Investment (CISI). Prior to that Andrew worked in the Strategic Planning & Group Treasury teams at the former Halifax/HBOS bank. He is currently a Chartered Member of the CISI and holds the Investment Management Certificate (IMC).

EXECUTIVE SUMMARY

- The Premier Miton Diversified fund range was rated by RSMR in April 2021 and consists of five, actively managed, multi asset, directly invested funds managed to the same asset allocation and investment process. The flagship Diversified Growth fund was effectively re-launched in 2013, the Diversified Income fund was added in June 2017 and three further funds were added in March 2019.

- The funds’ lead manager is Neil Birrell, who joined Premier Miton in 2013 and is also the firm’s Chief Investment Officer. He is responsible for the funds’ overall asset allocation, portfolio construction and risk management, but the underlying investment selection is delegated to asset class specialists within the company. As CIO, Birrell is ideally positioned to utilise this approach.

- The underlying asset class managers are responsible for selecting the investments within their portfolios. They are experienced investors in their own right and/or part of a larger, experienced team.

- The investment process is very robust and well established. It combines strategic and tactical asset allocation with underlying investment selection, using the skills of the wider Premier Miton investment team. There is a high degree of flexibility within both the asset allocation across the fund range and in the underlying portfolios.

- At the time of writing, the flagship Diversified Growth fund has built a very strong, consistent performance track record under Neil Birrell’s management, showing its ability to benefit from periods of rising equity markets and also to dynamically protect/hedge against more severe market downturns. The performance of the more recently launched funds has also been very good, increasing our confidence that the investment process can produce good performance across different risk profiles.

MULTI ASSET INVESTING

The recent environment for the provision of financial advice has delivered a number of changes that have altered the way many advisers operate. The implementation of RDR back in 2012 has been at the heart of this change but other subsequent reviews into the selection of investment solutions and the requirement to understand different types of client risk have all contributed to the current regime. Indeed, we have seen a move by many advisers to outsource investment solutions to multi-asset portfolios, relying on the fund manager to maintain the portfolio rather than the adviser. The rise of targeted investing, with either risk or return targets being used to manage investments, has also been a feature of recent product offerings in the UK and has resulted in a number of new solutions that have strict investment parameters. Overall the market for this type of solution has widened and with the pension freedom regulations adding flexibility to an investor's retirement choices the need for such solutions can only grow further.

Looking at the investment background for multi-asset investing, the last fifteen years have been mixed. Although figures will show that equities have outperformed government bond markets over this period, it has certainly not been straight-forward or predictable with short-term periods such as Q3 2007 to Q1 2009, Q3 2011, Q2 2015 to Q1 2016 and, of course, the last 3 years being prime examples of this. This background has made it very difficult for most investors, professional or otherwise, and requires a significant amount of patience and skill to seek out those areas that can offer some return in an ever-rotating economic environment.

Managed investment solutions are one way of helping to take away some of the stress of selecting assets in this environment, allowing the adviser to focus on the many other areas of financial planning whilst the assets are managed on their behalf. It can be argued that these funds are simple solutions to most investment selection and monitoring issues, and they are clearly a popular choice. The challenge is that, whilst it always seems advantageous to have more choice, selecting the right option from an ever-increasing list is increasingly difficult and taking account of the increasing number of complex investment instruments that can be used to form portfolios, the apparently simple solutions become all the more complex.

The changing regulatory environment is also adding to the difficulty in building an appropriate solution that takes a client from risk assessment through to investment solution. The advisory market has an equally expanding range of choices to take an investor through this process and guidance is needed to bring all the elements together to form an acceptable solution.

To try and simplify the choices but provide enough options to cover most investors' requirements is a difficult task. This review looks in detail at the Premier Miton Diversified fund range, which we believe can go a long way to helping overcome many of these issues and difficulties.

PREMIER MITON INVESTORS

Premier Miton Group plc was formed in November 2019 from the merger of Premier Asset Management Group plc and Miton Group plc. The merger brought together the capabilities and knowledge of two highly regarded companies to create a new investment firm, which currently has 17 investment teams covering a range of asset classes and products with a focus on active management. As at 31st March 2023 the Group had approximately £11.0 billion* of assets under management.

*Source: Premier Miton Investors

FUND RANGE CONCEPT & OVERVIEW

The Premier Miton Diversified fund range consists of five actively managed, multi-asset, directly invested funds, all managed to the same asset allocation and investment process but offering a choice of different risk profiles, including one income-focused fund.

FUND NAME	IA SECTOR	LAUNCH DATE	FUND SIZE (June 2023)
Diversified Cautious Growth	Mixed Investment 20-60% Shares	1st March 2019	£76.7m
Diversified Balanced Growth	Mixed Investment 40-85% Shares	1st March 2019	£108.7m
Diversified Growth	Mixed Investment 40-85% Shares	21st December 2010	£437.7m
Diversified Dynamic Growth	Flexible Investment	1st March 2019	£64.0m
Diversified Income	Mixed Investment 20-60% Shares	19th June 2017	£101.6m

The Premier Miton Diversified Growth fund was effectively re-launched on 18th March 2013 following a name change from Premier Alternative Strategies, at which time there was also a change to the investment objective and investment policy.

The Funds

Four of the funds are designed to produce long term total returns made up of capital growth and income and are managed with different risk profiles in mind. The fifth fund, the Diversified Income fund, is designed to produce a dividend income whilst still offering the potential for long term capital growth. The specific investment objective of each fund is shown below.

Fund Name	Objectives and Investment Policy (KIID)	Comparator Benchmarks
Diversified Cautious Growth	The objective of the fund is to provide total returns comprised of capital growth and income over the long-term. The fund will invest globally in a diversified portfolio of investments across different asset classes. These will include bonds, company shares, property company shares, alternative investments, cash and cash deposits.	IA Mixed Investment 20-60% Shares sector
Diversified Balanced Growth	The objective of the fund is to provide total returns comprised of capital growth and income over the long term. The fund will invest globally in a diversified portfolio of investments across different asset classes. These will include bonds, company shares, property company shares, alternative investments, cash and cash deposits.	IA Mixed Investment 40-85% Shares sector
Diversified Growth	The objective of the fund is to provide total returns comprised of capital growth and income over the long term. The Fund will invest globally in a diversified portfolio of investments across different asset classes. These will include bonds, company shares, property company shares, alternative investments, cash and cash deposits.	IA Mixed Investment 40-85% Shares sector
Diversified Dynamic Growth	The objective of the fund is to provide total returns comprised of capital growth and income over the long term. The Fund will invest globally in a diversified portfolio of investments across different asset classes. These will include bonds, company shares, property company shares, alternative investments, cash and cash deposits.	IA Flexible Investment sector
Diversified Income	The objective of the fund is to provide an income together with capital growth over the long term. Income is paid quarterly as dividend distributions. The Fund will invest globally in a diversified portfolio of investments across different asset classes. These will include bonds, company shares, property company shares, alternative investments, cash and cash deposits.	IA Mixed Investment 20-60% Shares

Charges

The charges are very competitive for an actively managed strategy. The OCF for the funds as quoted in June 2023 for the 'D' share class is shown below (Source: Premier Miton Investors).

Name	OCF
Diversified Cautious Growth	0.96%
Diversified Balanced Growth	0.88%
Diversified Growth	0.77%
Diversified Dynamic Growth	0.71%
Diversified Income	0.79%

Fund Management Team

The funds' lead manager is Neil Birrell, who took over in March 2013 at the same time as the change to the investment objective and investment policy of the Diversified Growth fund was implemented.

Neil Birrell, Fund Manager and Chief Investment Officer
Neil is Chief Investment Officer for Premier Miton and is fund manager of the Premier Miton Diversified fund range. He joined Premier Miton in January 2013 from Elcot Capital, where he was part of the team responsible for managing multi strategy investments. Neil was previously Chief Investment Officer of Framlington Investment Management.

Although Neil is the named fund manager, other members of Premier Miton's investment team play an important role in the investment process.

Simon Prior, Fund Manager, Fixed Income
Simon joined Premier Miton in August 2020 and is co-manager of the Premier Miton Corporate Bond Monthly Income Fund. Previously he was at Merian Global Investors (2013-2020), where he was co-manager of the Merian Corporate Bond Fund and Merian Monthly Income Bond Fund. He has also worked at Old Mutual plc, with positions in both the finance and treasury functions. Simon holds a BSc in mathematics from the University of Hull and is a CFA charterholder.

Jon Hudson, Fund Manager, UK Equities
Jon joined Premier Miton in October 2007 and has worked as an investment manager and analyst in the UK equity team since 2013. Jon is a CFA charterholder and has a BA (Hons) in Economics and Management from the University of Leeds. Jon is a fund manager for the Premier Miton UK Growth Fund and the Premier Miton Responsible UK Equity Fund.

Benji Dawes, Fund Manager, UK Equities
Benji joined Premier Miton in September 2014 and is a UK equity fund manager. He was previously assistant fund manager and UK equity investment analyst at City Financial. He is a CFA charterholder. Benji is a fund manager for the Premier Miton UK Growth Fund and the Premier Miton Responsible UK Equity Fund.

Tom Globe, Fund Manager, Global Equities
Tom joined Premier Miton in September 2011. Since then he has worked on the global equity team undertaking quantitative and qualitative research. He is responsible for running and maintaining the proprietary quantitative equity screen used as the base of the global equity investment process for the Diversified funds and the global sustainable themed fund. Tom is the fund manager of the global equity portfolios within the Premier Miton Diversified fund range. He is a CFA charterholder and also holds the CFA certificate of ESG investing.

Luke Smith, Assistant Fund Manager, Global Equities
Luke joined Premier Miton in February 2017 and has worked as Investment Assistant to the CIO fulfilling a range of projects for the investment teams. More recently he has undertaken an Investment Analyst role on the global equity team. Luke has a degree in Economics, holds the CFA certificate of ESG Investing, and is a CFA charterholder.

Kirsty Riddle, Fund Manager, Property Companies
Kirsty joined Premier Miton in October 2015 as a Risk and Performance Analyst before moving to the Pan-European property share investment team. Prior to this, Kirsty trained as an assistant fund manager at Garraway Capital. Kirsty has a 1st class degree in Maths, the IMC Qualification, and is a CFA charterholder.

Robin Willis, Fund Manager, Alternatives

Robin joined Premier Miton in June 2015. He co-manages the Premier Miton Defensive Growth fund and is part of the investment team managing the Premier Miton Diversified funds. Robin is an investment company specialist and has been part of the Premier Miton Defensive Growth fund investment team since he joined Premier Miton. Previously he was a fund manager and investment companies analyst at Cayenne Asset Management and an investment accountant at Fortis Prime Fund Solutions. Robin graduated with a B.Comm in Commerce from University College Dublin. Robin is a CFA charterholder.

Daniel Hughes, Fund Manager, Alternatives & Portfolio Hedges

Daniel joined Premier Miton in July 2015. He co-manages the Premier Miton Defensive Growth fund and is part of the investment team managing the Premier Miton Diversified funds. Daniel is a structured investment and derivatives specialist and has been part of the Premier Miton Defensive Growth fund investment team since he joined Premier Miton. Before Premier Miton, he was a structured product and equity derivatives specialist at Royal Bank of Scotland. Daniel graduated with a BSc (Hons) in International Business from Warwick University.

INVESTMENT PROCESS

Overview

The investment team assesses the macro and economic environment together with the absolute and relative attractiveness of asset classes. This is combined with their potential risk profile and relative risk-adjusted returns to determine the funds' asset allocations. As Chief Investment Officer, Neil Birrell coordinates the team discussions on asset allocation and then, as lead fund manager, he allocates assets between fixed income, equities, property companies, alternatives and portfolio hedges, with specialist teams then selecting the underlying investments. Neil has overall responsibility for the investment decisions, portfolio construction and risk management.

Strategic Asset Allocation

Up to April 2016, Neil Birrell had sole responsibility for making the Diversified Growth fund's asset allocation calls. The current process was then implemented, following the addition of fund managers and analysts in 2014 and 2015. Asset allocation meetings generally take place once a month and involve the whole investment team who will assess the economic and macro environment along with the absolute and relative attractiveness of different asset classes. However, it is an active asset allocation process and meetings take place as frequently as required, for example, during the Covid-19 induced stressed markets, meetings were held once a week. The meeting is chaired by Neil and, although it is a team based approach, he has the final say on decisions as well as the responsibility for the overall risk of the funds. Once the asset allocation decisions are made, the manager(s) responsible for the underlying asset classes select and implement the investments using their own investment processes.

Tactical Asset Allocation

The asset allocation is active, and whilst the fund manager has a lot of flexibility, there are formal asset allocation limits, as follows:

Diversified Cautious Growth

Asset Class	Minimum	Maximum
Fixed Income	25%	60%
Equities	30%	60%
Property Companies	0%	20%
Alternatives	5%	25%
Cash	0%	10%

Diversified Balanced Growth

Asset Class	Minimum	Maximum
Fixed Income	5%	30%
Equities	40%	70%
Property Companies	0%	20%
Alternatives	10%	35%
Cash	0%	10%

Diversified Growth

Asset Class	Minimum	Maximum
Fixed Income	0%	30%
Equities	45%	75%
Property Companies	0%	20%
Alternatives	10%	30%
Cash	0%	10%

Diversified Dynamic Growth		
Asset Class	**Minimum**	**Maximum**
Fixed Income	0%	15%
Equities	70%	95%
Property Companies	0%	20%
Alternatives	5%	30%
Cash	0%	10%

Diversified Income		
Asset Class	**Minimum**	**Maximum**
Fixed Income	25%	60%
Equities	30%	60%
Property Companies	0%	20%
Alternatives	5%	25%
Cash	0%	10%

There is no Premier Miton house view, so the underlying asset class managers have flexibility with their portfolio positioning.

Investment Selection

The underlying fund managers are responsible for investment selection within their respective asset classes, and they have a lot of flexibility in their decision making. The equity exposure is global and diversified by sector and market capitalisation, although the UK typically makes up a significant portion. Tom Globe has the responsibility for the global equity portion of the portfolio. Global (excluding UK) stocks are selected using a proprietary quantitative screen looking for quality, value and growth characteristics within developed and emerging markets, and concentrating on the largest 5,000 global companies. This is complemented by qualitative analysis. There was a change to the Diversified Growth Fund's global (non-UK) equity positioning from early April 2016 to bring greater alignment with the Global Alpha Growth fund, which caused high turnover during the transition and a large permanent increase in the number of holdings for this part of the fund. The Global Alpha Growth Fund has subsequently changed to a sustainable investment mandate and has been renamed the Global Sustainable Growth fund, but the Diversified funds did not adopt the same change with Neil Birrell choosing to maintain the existing process, which has a broader approach and provided continuity for the Diversified funds. Please note the Premier Miton Diversified Sustainable Growth Fund has adopted the change for the global equity exposure.

Jon Hudson and Benji Dawes are responsible for the UK equity part of the portfolio, looking to complement the global equity component. UK stock selection uses a valuation screen combined with qualitative assessment.

The fixed income element may consist of government bonds, corporate bonds and specialist bonds along with alternative fixed income holdings. Simon Prior, who is part of the credit team, retains the responsibility for bond selection in the Diversified funds. Robin Willis is responsible for the alternative fixed income exposure, such as specialist lending, and the two work together on the overall portfolio.

The property company exposure is in REITs and listed UK and European property companies, which typically will already be held within the Premier Miton Pan European Property Share Fund. Up until 2016 investment was into the fund itself. This is managed by Kirsty Riddle, who works with Alex Ross on the specialist property companies fund.

The alternatives allocation may include listed hedge funds, commodities (indirect), listed infrastructure and defensive strategies, all of which are intended to have relatively low correlation to equities. An assessment of the asset class, the manager and the price to NAV (Investment Trusts) are key elements of the selection process. Again, Neil Birrell was previously responsible for this part of the portfolio, but this was taken on by Robin Willis and Dan Hughes following their arrival at Premier Miton.

Portfolio hedges, typically through derivatives, are applied across the range of funds to provide downside protection and dampen volatility. These are managed by derivatives specialist Dan Hughes.

Risk Management

In addition to the asset class parameters mentioned earlier, there are limits on individual positions. Individual equity, corporate bond and property holdings are limited to a maximum of 2½%, individual government bonds are limited to 5%, individual closed ended funds are limited to a maximum of 8%, and any individual Premier Miton fund held is limited to 5%. The total number of holdings is expected to be between 80 and 185.

The internal Risk team monitors a number of fund metrics including liquidity, and reports to the internal Funds Risk Committee. Risk analysis includes VaR and stress testing, and derivatives pricing, and is conducted internally on a daily basis.

Each investment desk is responsible for their own liquidity analysis for their asset class.

Responsible Investing/ESG Analysis

Premier Miton define responsible investing as an approach that includes the consideration of Environmental, Social and Governance (ESG) factors alongside financial factors, supported by stewardship activities such as voting and engaging with the management of companies in which they invest, or are considering investing in. They take an active approach to voting on company resolutions at Annual General Meetings and other shareholder meetings.

They consider ESG factors in the investment processes across different investment strategies. By considering ESG factors alongside financial factors they are looking at all the available information to determine whether a company is suitable for inclusion. They believe that assessing a company's approach to ESG related risks gives additional information on the investment opportunity. This is undertaken throughout the investment process including in company research and analysis, portfolio monitoring and buying and selling decisions. They believe that combining financial analysis with ESG analysis leads to improved decision making and therefore better outcomes for investors. They use a variety of ESG information sources including company reporting, meetings with management and boards as well as independent specialist ESG research and data. The Head of Responsible Investing and the Chief Investment Officer have oversight of the inclusion of ESG factors in the investment decision making process. Their experience is that governance is often the most important of the three factors, with an experienced chairperson and suitably composed board of directors critical to facilitating a company's delivery of good long term financial performance. Management expertise and appropriately aligned remuneration are also important to implement the company's strategy and to manage risks. The management of environmental risks, especially climate related financial risk, is increasingly important, particularly in high climate risk industrial sectors such as oil & gas and utilities. A company's approach to social risks such as diversity and labour practices are increasingly viewed as an indicator of competent management.

Premier Miton excludes companies that are involved in banned weapons across all their funds and use third party data to maintain a list of such companies. Whilst they don't actively exclude any other companies or sectors for ESG reasons, most of the funds and investment trusts that they manage have low exposure to so called 'controversial companies'. These are companies that have been involved in ESG related incidents that may result in negative impacts for stakeholders and the environment and include areas such as human rights violations and environmental pollution.

Premier Miton uses company specific ESG research and data, where it exists, to consider ESG related risks and opportunities in their investment process and they also use ESG data as a portfolio monitoring tool. As an active investor, they prefer detailed ESG company research focussed on the evaluation of the ESG risks and opportunities rather than a single, combined ESG score. Larger sized companies usually have better ESG polices and disclosure, making ESG research more easily available. For smaller companies, the policies and disclosures may be less robust which sometimes leads to lower ESG scores, but that does not automatically reflect higher ESG risk, or poor ESG risk management compared to larger companies in the same industry. They subscribe to a number of independent providers of ESG data and research including Ethical Screening, ISS Governance quality score and climate solutions, ISS proxy voting research, CDP global environmental disclosure system, Sustainalytics and Bloomberg. They regularly interact with these providers on a range of topics, including their methodology and hold discussions on the differences between their ESG analysis processes. Additionally, external providers of non-ESG specific research are increasingly incorporating ESG commentary and data within company research.

In the latter part of 2022, the company signed up to the Net Zero Asset Managers initiative. This is an international group of asset managers committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5 degrees Celsius, and to supporting investing aligned with net zero emissions by 2050 or sooner.

PERFORMANCE AND HISTORICAL ASSET ALLOCATIONS

(Data source: Premier Miton Investors, all figures to the end of June 2023, unless stated otherwise)

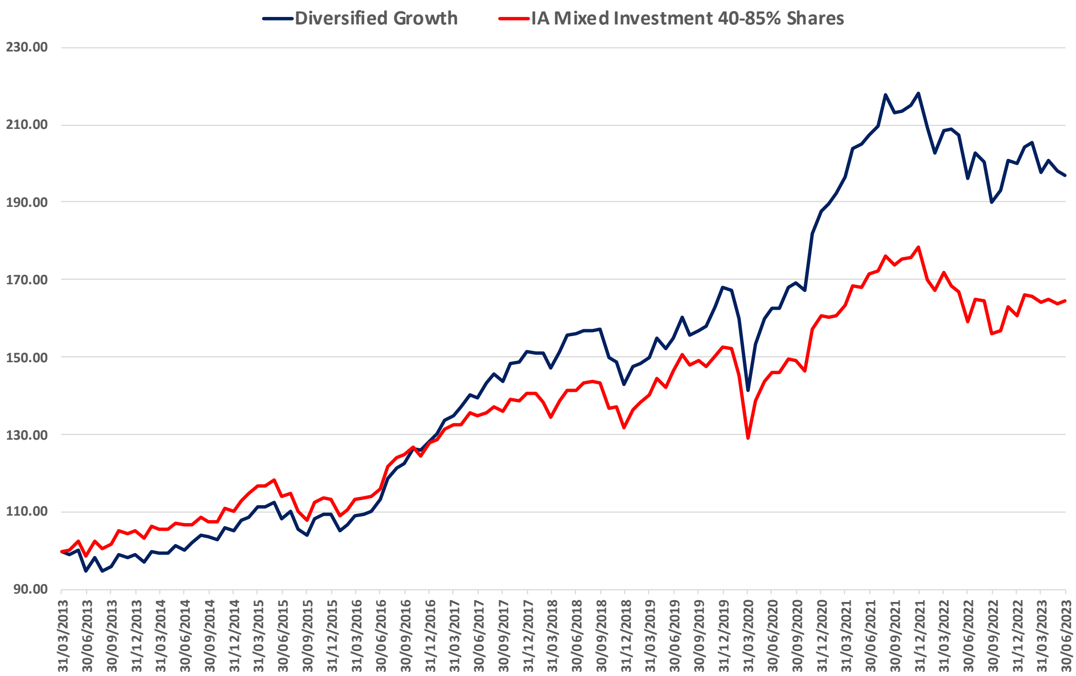
	30/06/2023	30/06/2022	30/06/2021	30/06/2020	30/06/2019	30/06/2018	30/06/2017	30/06/2016	30/06/2015
Premier Miton Diversified Cautious Growth	-1.38	-2.32	18.37	1.4	n/a	n/a	n/a	n/a	n/a
Premier Miton Diversified Balanced Growth	0.63	-4.33	20.88	2.33	n/a	n/a	n/a	n/a	n/a
Premier Miton Diversified Growth	0.42	-5.52	27.61	4.97	-0.66	11.70	23.09	4.64	8.25
Premier Miton Diversified Dynamic Growth	4.26	-7.95	31.79	6.21	n/a	n/a	n/a	n/a	n/a
Premier Miton Diversified Income	-3.73	-1.03	19.38	1.33	1.13	5.93	n/a	n/a	n/a

Diversified Growth

The following charts show the performance of the fund versus its IA sector average, and the historical asset allocation for the Diversified Growth fund from March 2013 when Neil Birrell took over the fund's management.

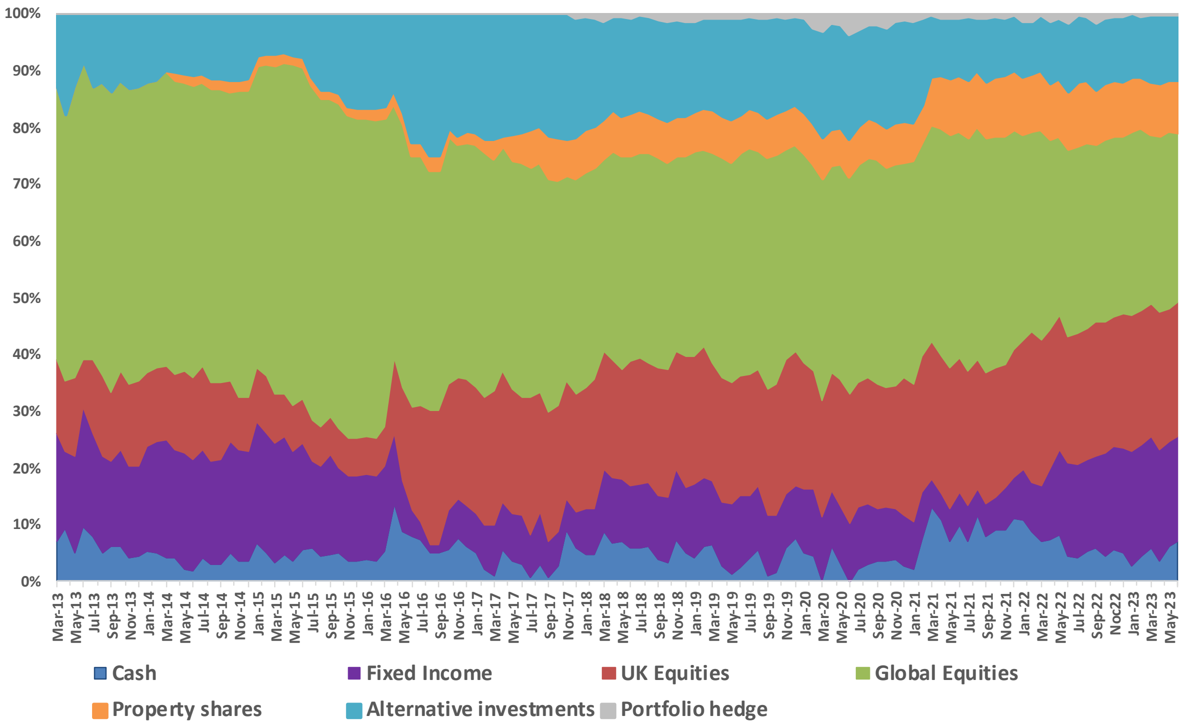
Performance

Performance has been very strong overall. The fund significantly outperformed its IA sector average over the period from March 2013 to 30th June 2023 and when looking at performance over individual calendar years from 2014 to 2022, the fund outperformed the sector average every year with particularly good outperformance in 2016, 2017, 2020 and 2021. Year to date (up to 30th June 2023), the fund has underperformed, primarily as a result of a very challenging March for the strategy, however since then it has shown signs of a recovery and there is no reason to suggest that this recovery will not continue over the remainder of the year.



Historical Asset Allocation

The fund has held over 55% in equities (excluding property shares) for the vast majority of the period shown and has been above 60% for most of 2021 and 2022, although more recently it has fallen below 55%, to currently stand at a historically low level for this fund. As can be seen from the asset allocation chart, UK equities have typically been a reasonable proportion of the overall equity exposure, although the level was below 10% from late 2014 until Q2 2016, before rising above 20% in Q3 and it has stayed above 20% for most of the period since. Global equity exposure has typically contained 50% or more in US equities. Fixed income exposure has moved in an opposite pattern, sitting above 15% for most of the period up to Q2 2016 when it dropped significantly to a very small weighting in Q3. The weighting climbed to above 10% again at the end of Q1 2018 but then fell below 10% in Q3 2020. It fell to a very small weighting in 2021 before rising again over 2022 to be close to 20% going into 2023. Alternatives exposure has been above 10% for most of the period and was 25% in Q3 2016. The weighting sat above 15% for most of the subsequent period until early in 2021 when it dropped to close to 10% before marginally rising again to around 11.5%. The fund’s allocation to property shares rose to an all-time high of just over 11% in mid-2022 but fell back slightly to 9.3% in June 2023. Cash has been used as an asset allocation tool and in March 2021 it was at its highest level since April 2016 with a weighting of just over 13% before dropping again, and it currently stands at around 7%.

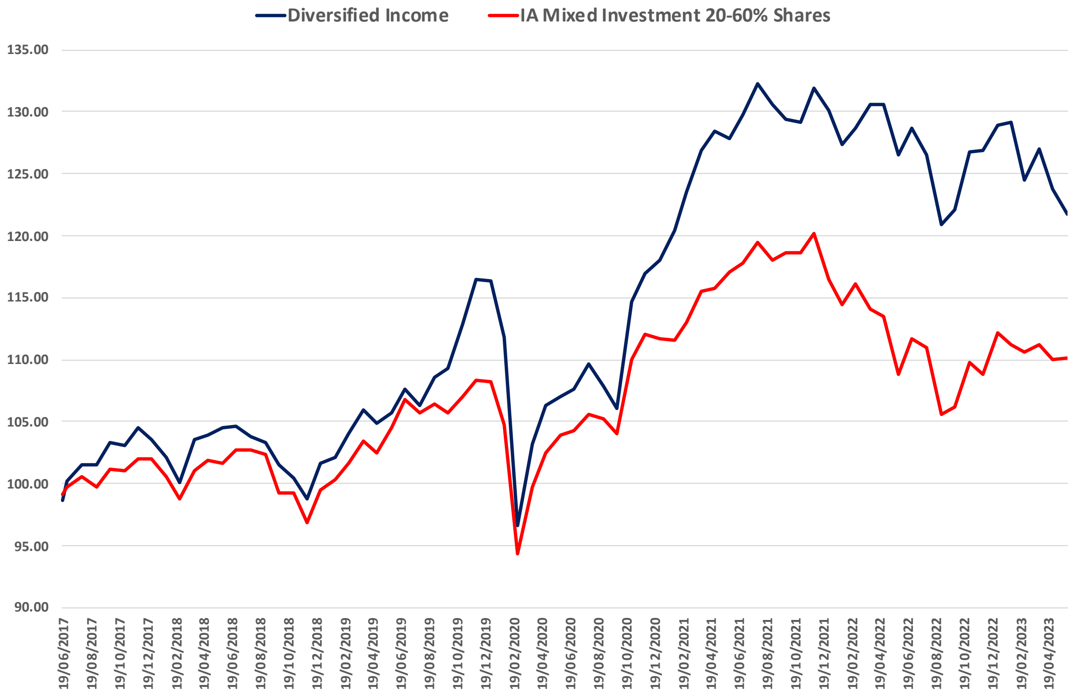


Diversified Income

The following charts show performance versus the IA sector average and the historical asset allocation since the fund's launch in June 2017.

Performance

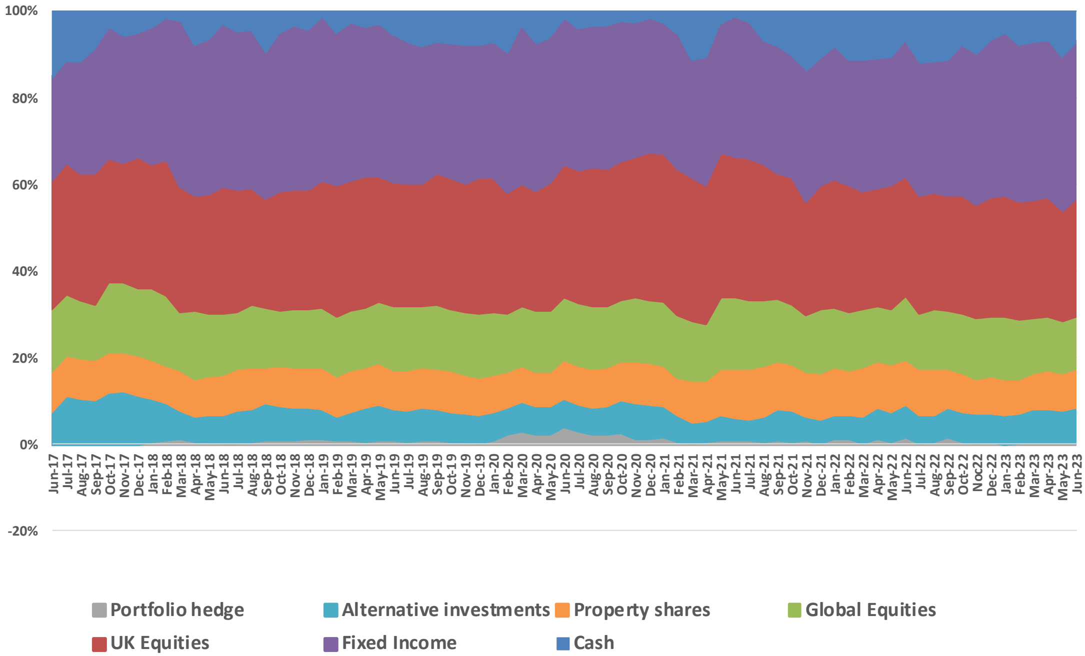
Performance has been good overall with the fund significantly outperforming its IA sector average since its launch date up to the end of June 2023. The fund performed particularly well in 2019, 2021 and especially over 2022 as, despite falling in value, the losses were significantly lower than the sector average in what proved to be a very difficult year for most asset classes. Year to date (up to 30th June), the fund has underperformed, primarily as a result of a very challenging March for the strategy however since then it has shown signs of a recovery and there is no reason to suggest that this recovery will not continue over the remainder of the year.



Historical Asset Allocation

The fund has held over 40% in equities (excluding property shares) since launch and in early 2021 the exposure reached 50% – if you include property shares, which placed the fund at the top end of its IA sector range. The equity allocation tailed off again over the second half of 2021 and for most of 2022 has remained close to 40% before reaching an historic low of 37.5% in May 2023. As can be seen from the asset allocation chart, UK equities has been a consistently high proportion of the overall equity exposure, as it has been one of the highest dividend-paying markets, particularly amongst its developed world counterparts. Fixed income has typically been above 30% for most of the fund's life but this dropped below that level in 2021 before rising again from mid-2022 to currently stand at just over 36%. Corporate bonds have consistently held the biggest weighting within the bond exposure but there have been times when the alternative fixed income allocation has been relatively significant. Alternatives exposure has typically been below 10%, which is expected given the number of income options available and has been between 5% to 7% for most of 2022 and into 2023 although more recently this has moved marginally higher to 8.3% as at June 2023. Cash has also historically been relatively low although with the recent rises in interest rates it has become a more attractive proposition as it is now offering a real yield. Cash reached a level of 12% in mid-2022 and currently stands at just over 7% (June 2023).

The Diversified Income fund is run in the same way as the other funds in the range however it does have an income requirement from its underlying investments. This is reflected more in the equity area than anywhere else, where they tend to have more exposure to the UK than the other funds in the range as they believe that currently there is more opportunity to generate income in the UK. They have increased the dividend year on year and last year the increase was close to 11%. The managers expect that the level of increase will be above that for this financial year.

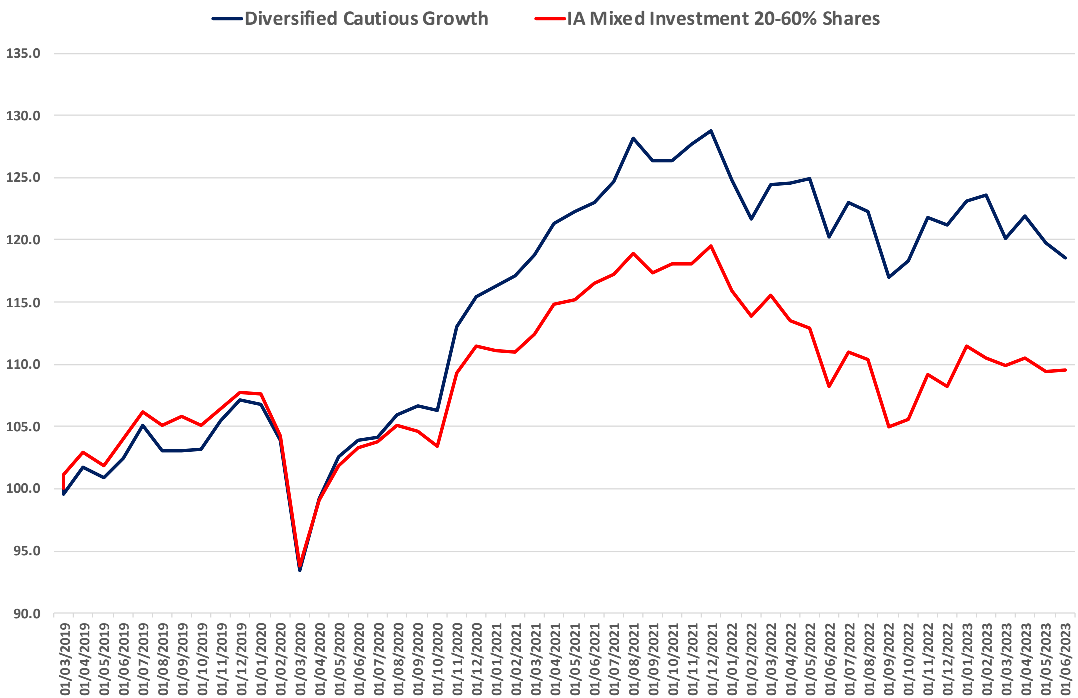


Diversified Cautious Growth

The following charts show performance versus the IA sector average and historical asset allocation since the fund's launch in March 2019.

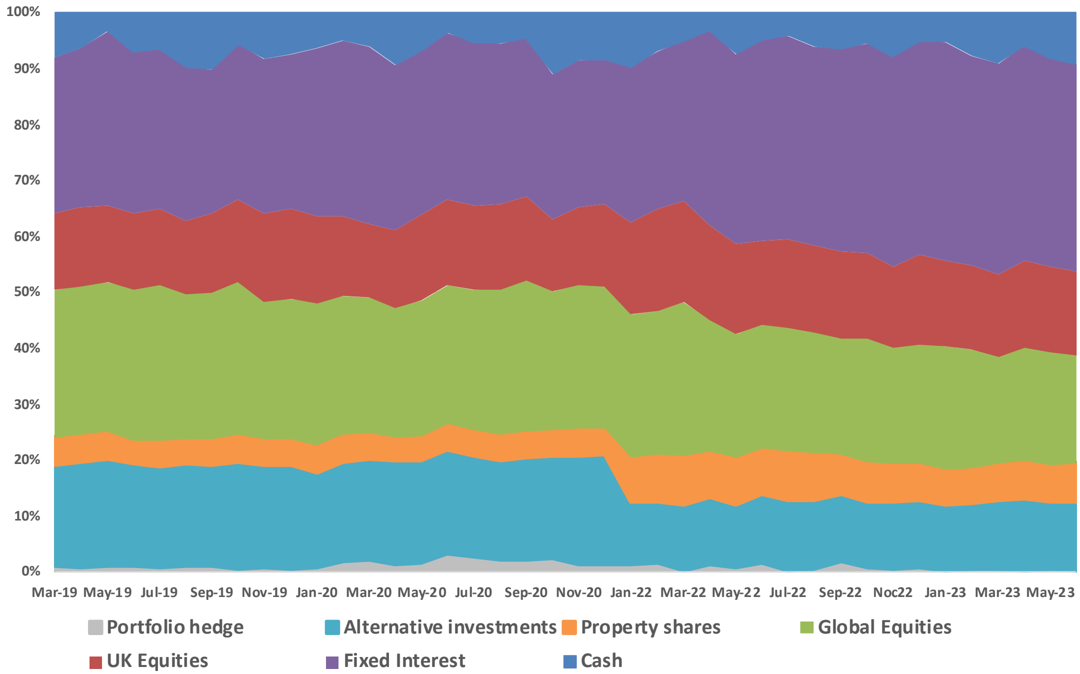
Performance

Performance has been very strong overall with the fund generating returns more than double the IA sector average over the period from March 2019 until 30th June 2023. The fund performed particularly well in 2019, 2021 and especially over 2022 as despite falling in value, the losses were significantly lower than the sector average in what proved to be a very difficult year for most asset classes. Year to date (up to 30th June), the fund has underperformed, primarily as a result of a very challenging March for the strategy however since then it has shown signs of a recovery and there is no reason to suggest that this recovery will not continue over the remainder of the year.



Historical Asset Allocation – Diversified Cautious Growth

The fund has held over 40% in equities (excluding property shares) for the majority of the period since launch, but this rose to around 45% in 2021 before falling back again in 2022 to between 35% and 37% for most of the year. It then fell further in 2023 to currently stand at around 34%, historically a low level for this fund. As can be seen from the asset allocation chart, UK equities have been a reasonable proportion of the overall equity exposure but much lower than the Diversified Income fund, which sits in the same IA sector. Global equity exposure has typically contained 50% or more in US equities. Fixed income has generally been between 25% and 30% but this dropped below 25% in 2021 before recently rising again over 2022 and into 2023 to currently be around 37%. Corporate bonds have been a consistent factor within this allocation but there have been times when the alternative fixed income allocation has been relatively significant. Alternatives exposure has typically been around 18% to 20% but fell slightly below this level for most of 2021 and was around 11% to 12% for most of 2022. It currently stands at just over 12%. Cash has been used as more of an asset allocation tool in this fund than in Diversified Income and was over 10% in 2021 before dropping off later in the year and during 2022 but has then risen again in 2023 to currently stand at just over 9%.

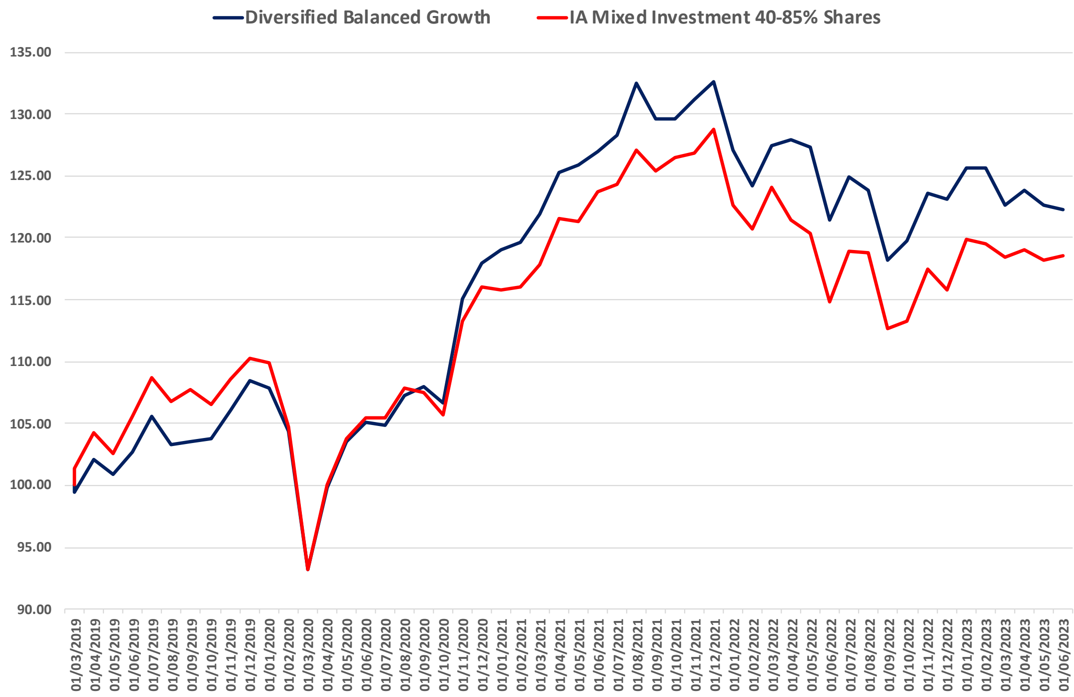


Diversified Balanced Growth

The following charts show performance versus its IA sector average and historical asset allocations since the fund's launch in March 2019.

Performance

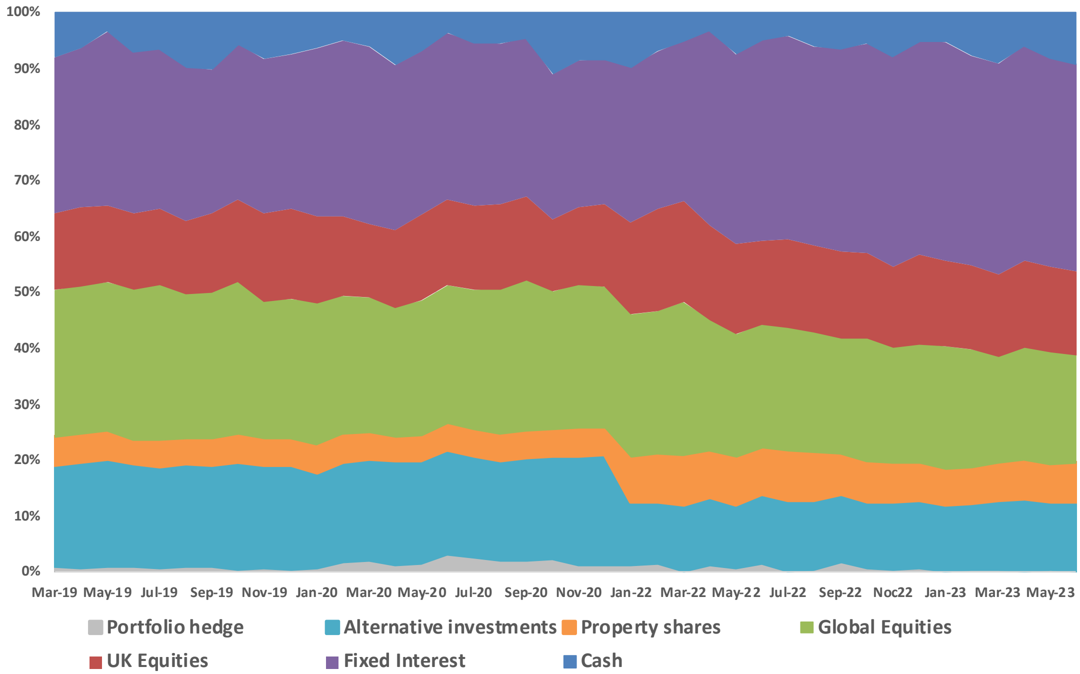
Performance has been strong overall with the fund outperforming its IA sector average over the period from March 2019 until 30th June 2023. The fund has outperformed in all three calendar years since its launch, and this includes 2022 when, despite falling in value, the losses were significantly lower than the sector average in what proved to be a very difficult year for most asset classes. Year to date (up to 30th June), the fund has underperformed, primarily as a result of a very challenging March for the strategy however since then it has shown signs of a recovery and there is no reason to suggest that this recovery will not continue over the remainder of the year.



Historical Asset Allocation – Diversified Balanced Growth

The fund has typically held between 45% and 50% in equities (excluding property shares) for the majority of the period since launch but this reached close to 55% in 2021 before tailing off again over 2022 and into 2023 to currently stand close to 42%, which is a historically low level for this fund. As can be seen from the asset allocation chart, UK equities has been a reasonable proportion of the overall equity exposure but much lower than global equities, which in turn has typically contained 50% or more in US equities. Fixed income has generally been between 20% and 25% but this dropped below 20% in 2021 before rising back over 20% in early 2022 and then continuing to rise over the second half of the year and into 2023, to currently stand close to 29%. Corporate bonds have been a consistent factor within this allocation but there have been times when the alternative fixed income allocation has been relatively significant.

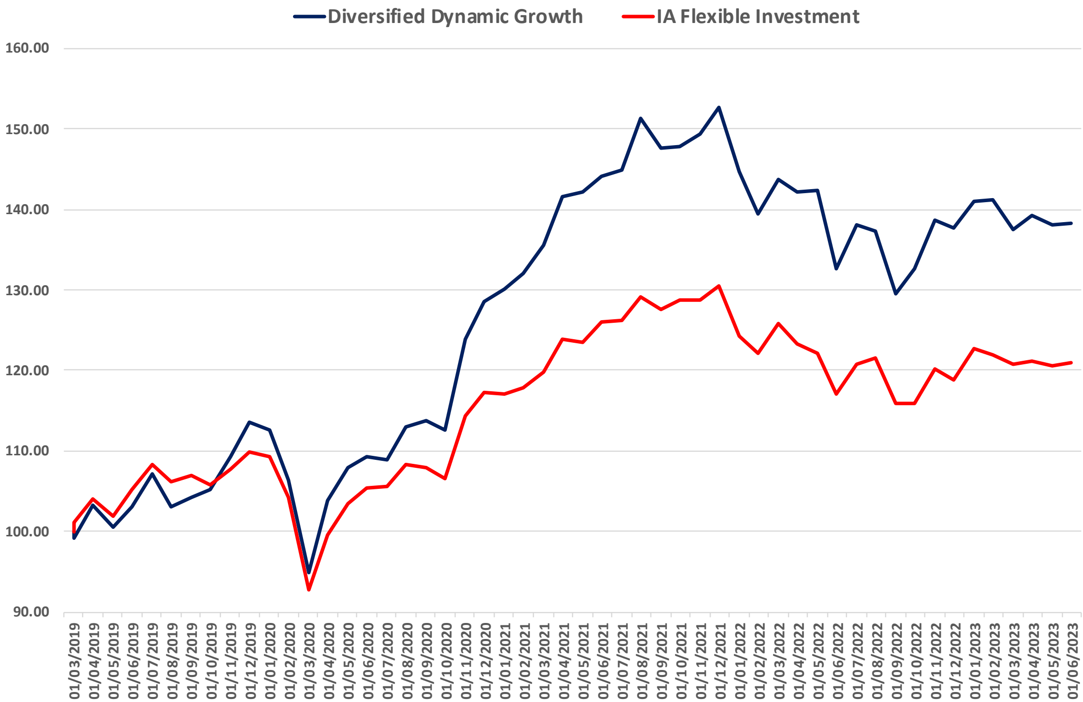
Alternatives exposure has typically been around 16% to 19%, but this dropped below 10% in 2021 before rising again to between 10%% and 12% for most of 2022 and 2023 so far. Cash has been used as an asset allocation tool for this fund and was close to 12% at the latter end of 2021 before falling back to its current level of nearer 9%.



Diversified Dynamic Growth

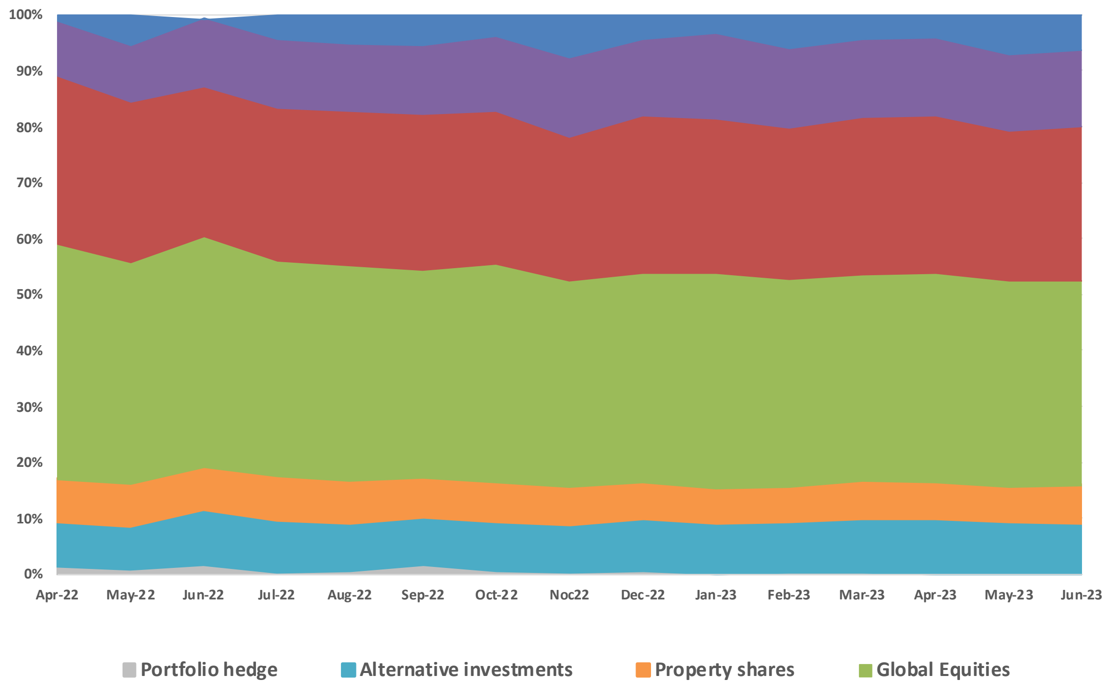
The following charts show performance versus its IA sector average and historical asset allocation since the fund's launch in March 2019.

Performance has been very strong overall with the fund managing to generate returns which were almost double its IA sector average over the period from March 2019 until 30th June 2023. The fund significantly outperformed in the calendar years 2020 and 2021 and was also competitive over 2022 with the fund's losses being broadly in line with the IA sector average over what proved to be a very difficult year for most asset classes. Year to date (up to 30th June), the fund has underperformed, primarily as a result of a very challenging March for the strategy however since then it has shown signs of a recovery and there is no reason to suggest that this recovery will not continue over the remainder of the year.



Historical Asset Allocation – Diversified Dynamic Growth

The fund has typically held between 78% and 85% in equities (excluding property shares) for the majority of the period since launch but this crept very marginally above that level in 2021 before falling back over 2022 and into 2023 to currently stand at just over 64%, historically a low level for this fund. As can be seen from the asset allocation chart, UK equities have been a reasonable proportion of the overall equity exposure but much lower than global equities, which in turn has typically contained 50% or more in US equities. Until recently, there had been no fixed income exposure with diversification coming from the alternatives exposure however in 2022, they opened moderate positions in UK and international bonds, and then increasing this exposure over 2022 and into 2023 so that total fixed income exposure currently stands at just under 14%. Alternatives have typically been between 7% and 10% whilst cash for the most part has been below 5% although more recently it has exceeded this, rising in the latter part of 2022 and early part of 2023 to a current level of around 6.5%.



ASSET ALLOCATION/ECONOMIC & ASSET CLASS VIEWS

The managers highlight that the current market environment is being led by macro-based sentiment from investors rather than fundamentals. This view has increased over the last 12 months as the focus is on inflation and interest rates rather than fundamentals.

In March 2022, they started reducing equity exposure whilst increasing their weightings to bonds, believing that a recession was coming and therefore wanting to be more defensive in their positioning. They believed they could see the peak in inflation, but it has taken longer to come through and has remained higher and more embedded than they first thought, and economies have proven surprisingly more resilient. They further increased bond exposure in June 2022 and again in September when the LDI crisis sparked by the mini budget provided opportunity to move further into bonds, this time at the expense of their property exposure.

Also in September, with sterling being so weak the managers felt it was a good opportunity to start hedging some of their international equity exposure. They initially hedged a third of their dollar exposure with the intention to do more, and as we moved through the crisis caused by the mini budget they upped the hedging to around half of their dollar exposure.

Over this time, their views remained consistent, and nervous about embedded inflation, believing interest rates would go higher than current market expectations, further deepened their concerns over the resulting economic outlook and the increased likelihood of recession. As we moved into 2023, these concerns continued. The market however rallied hard early in 2023 due to expectations that interest rates were peaking. In March the market reacted to concerns over a potential banking crisis and whist it was clear to Premier Miton that credit conditions were going to get tighter, they couldn't buy into the view that interest rates had peaked and were going to fall. They emphasise that at that point, central banks had three major concerns, the biggest being that they needed to contain a potential banking crisis, ensuring that a regional banking problem did not become a systemic problem. Secondly, they had to get inflation under control and thirdly, the possibility of a recession (although recession concerns were a long way down the priority list for central banks at that time).

In their own analysis, Premier Miton believed that the banking crisis was something that would pass and therefore the wider market's interest rate expectations were wrong. They still believed we were heading for a more recessionary environment and so in March they further trimmed their equity exposure and increased their weightings to bonds and also their weightings to cash. As a consequence, bond exposure was higher in the funds than had been the case historically, whist equity exposure was at its lowest level.

March 2023 proved to be a perfect storm of market conditions for the way the Diversified funds were positioned. The funds' fixed interest exposure was a key detractor. In the wider bond markets the focus was on interest rate sensitivity, but because of their view that rates would stay higher for longer they had very little interest rate sensitivity in the funds. This led to underperformance versus the wider market. They also had some small exposure to Credit Suisse ATI bonds which further impacted returns. As a consequence, their overall fixed income exposure was down for the month whereas many bond indices were actually in positive territory. Within equities, they had very little exposure to the FAANGs (which they believed were too expensive to be investible) and these did very well over the month, impacting the returns of the Diversified funds on a relative basis. They did however own Microsoft and Nvidia, which performed well over this period, particularly Nvidia which rose sharply over the last few months on the back of investor excitement over the possibilities of AI. The funds' property exposures also impacted returns in March, as did the portfolio hedges as these were 'put' options on the Nasdaq and S&P500, and both indices went higher because of their extensive weightings to the FAANGs.

Whilst all this was painful to go through, it did strengthen the managers' conviction that the positioning of the portfolios was right. They feel they hold some great companies on very attractive valuations, but markets are still being driven by macro factors, and once the market switches back to focussing on fundamentals then these will pay off. The short term outlook is reasonably predictable, but the medium term outlook is very uncertain. Central banks have no choice but to tame inflation, as medium to long term sustained inflation is a bigger issue than recession, and throughout these periods of high inflation and rising interest rates, economies have remained relatively robust so central banks need to be brave.

The managers remain cautious as in their view economic conditions will be tougher, corporate profitability is going to struggle and there will be tighter credit/liquidity conditions. Overall, with tougher economic conditions and sticky inflation, this is a pretty challenging picture. The management cannot see a strong cyclical bounce at all, and this is reflected in the positioning of the funds at the moment. They are not particularly bearish, they do not think markets are going down a long way, but they think it will be hard to make profit. As such, they are looking for surety of returns in this period of uncertainty. They like short-dated sterling credit; high quality bonds providing some decent yields. They highlight that equities are much more varied but that valuation is extremely important during a period of challenging economic conditions. They hold quite significant exposure to the UK as the market is cheap relative to other developed markets and within the UK, small and mid-cap are relatively attractive compared to large caps. Within their whole equity portfolio, they are looking for companies that have secular tailwinds and at a top-down sector level, this includes technology and healthcare. At an individual company level, in the UK they like Spirent Communications, a multinational telecommunication testing company, IMI, a specialist fluid and motion control systems manufacturer, and Money Supermarket. They emphasise that technology companies are very important and whilst they do not have much exposure to FAANGS, they do have tech exposure including Microsoft, but also notably to semiconductor providers, with some of these benefitting from the surge of interest in AI, with Nvidia, and Broadcom, two of the biggest winners from this. They also hold Silicon Labs, ASML and Palo Alto, a cyber security firm.

Since March, the managers have increased duration slightly and also added to their alternatives exposure, which is an area where they are still finding interesting opportunities. In property, they believe in the asset class for the long term although acknowledge in the short term, REITs behave more like equities and can prove quite volatile. They recently opened some puts on the S&P500 and Nasdaq, expecting these to pay off later in the year.

They acknowledge relative performance so far this year has been challenging but take comfort in what they hold at the moment, and they are very comfortable with their underlying holdings. They emphasise that whilst a lot has happened at a macro level, their thesis or top down view has not really changed. What they planned to do in terms of big positioning calls has all gone through, and this worked really well last year, but has worked less well so far this year.

Whilst not fond of labels (such as value or growth), the managers describe the funds as being typically growth, but with the changes they've made over the year, the funds are more balanced which reflects their concerns over what is going on in the world. They are slightly underweight to the target weights in each asset class which reflects their more cautious positioning.

They retain relatively high levels of cash, which is now providing a decent level of return, and can be utilised quickly to take advantage of any opportunities that any market correction could provide but also, should the outlook for risk markets start to appear more favourable, they can increase equity sensitivity immediately by taking the puts off.

The following table summarises the asset allocation for each of the five funds as at 30th June 2023.

	Diversified Cautious Growth	Diversified Balanced Growth	Diversified Growth	Diversified Dynamic Growth	Diversified Income
Cash	9.30%	9.09%	7.12%	6.38%	7.17%
Fixed Interest					
Sovereign bonds	2.42%	1.62%	0.50%	0.74%	1.85%
Corporate bonds	30.02%	24.32%	13.24%	12.92%	29.37%
Convertibles	0.00%	0.00%	0.18%	0.00%	0.38%
Alternative fixed income	4.30%	2.99%	4.54%	0.00%	4.47%
ZDPs	0.34%	0.00%	0.00%	0.00%	0.00%
UK Equities	14.94%	18.37%	23.59%	27.65%	27.12%
Global Equities					
North American equities	13.31%	16.45%	20.37%	24.86%	4.15%
Europe ex UK equities	3.32%	4.11%	5.21%	6.26%	4.31%
Japan equities	1.04%	1.25%	1.52%	1.98%	1.52%
Asia Pacific ex Japan equities	0.56%	0.72%	0.88%	1.03%	0.34%
Emerging markets equities	0.92%	1.13%	1.45%	1.67%	1.84%
Global equities	0.16%	0.10%	0.42%	0.68%	0.00%
Property shares					
UK property shares	2.56%	2.87%	3.52%	2.34%	3.19%
International property shares	4.50%	5.19%	5.79%	4.29%	5.88%
Alternative investments					
Listed private equity	0.06%	0.05%	0.06%	0.06%	0.00%
Hedge Funds	1.70%	1.81%	1.65%	1.23%	0.00%
Other alternatives	10.44%	9.83%	9.84%	7.78%	8.29%
Portfolio hedge	0.12%	0.12%	0.13%	0.12%	0.12%

Source: Premier Miton Investors, end June 2023

CONCLUSION

The Premier Miton Diversified fund range is a relatively recent addition to the RSMR stable of rated fund ranges. The range comprises five funds, four of which are targeted towards capital growth across different risk profiles, whilst the Diversified Income fund, as the name suggests, has a specific income focus.

They are all managed using the same robust investment process, which has been overseen and refined since 2013 by Neil Birrell following his appointment at Premier Miton. He has made some changes to the process over the intervening period, but these have been evolutionary rather than revolutionary and have taken into account the increase in internal resources during this time. The most recent example of this is the hiring of a new fixed income team to bolster the capabilities in a key investment area. Birrell's role as Chief Investment Officer puts him in the unique position of being able to have full oversight of Premier Miton's investment teams, understanding the strengths and weaknesses of the various fund managers and analysts, to build an appropriate support structure that encourages input from the wider team.

The flagship Diversified Growth fund has a strong, consistent performance track record since Birrell took over. He has used the fund's flexibility to respond quickly to changing market conditions, taking advantage of generally rising equity markets during the first few years of his stewardship whilst always being conscious of the impact of being wrong, using natural asset class diversification (there is a great deal of flexibility in what can be allocated to in their alternatives exposure, for example) plus building and adjusting portfolio hedges to protect on the downside. These became particularly useful in 2020 and, although they failed to fully protect the funds from the large falls in risk assets, they did lessen the impact.

The other funds in the range have shorter performance records but they have also benefited from the flexible investment process to produce some strong numbers overall. Performance during 2021 was particularly good, and 2022 also saw some competitive returns on a relative basis, in what proved to be a very challenging period for most asset classes.

Overall, we believe the Premier Miton Diversified fund range is a strong choice for investors seeking a genuine multi asset proposition that has the ability to generate very competitive risk adjusted returns over differing market cycles within a cost competitive structure.

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