

Premier UK Growth Fund

Monthly fund update – Jon Hudson & Benji Dawes



Fund summary

- Focused on long-term capital growth
- Invests in high quality, mainly UK, growth companies

Market review

- Global equity markets continued to march higher in August. The economic recovery has generally been strong and monetary and fiscal stimulus remains very accommodative. Growth sectors continued to outperform value sectors which are more likely to be cyclical such as basic materials and financials.
- The UK market lagged its developed market peers due to its lack of technology exposure (remarkably the market capitalisation of Apple is now approaching the entirety of the FTSE 100 Index) and the weakness of the US dollar, which negatively impacts the earnings of many of the UK's largest multinational companies.

Performance

- The fund rose by 10.6% over the month compared to 2.4% for the FTSE All-Share Index and 3.1% for the IA UK All Companies sector.
- SDL was the fund's top contributor following an agreed all-share takeover from rival RWS at a significant premium. SDL offers corporations language translation services and was in the midst of an operational improvement programme to push margins and profits higher. If successful the shares would likely have re-rated, so we are pleased to see the bid accelerate the investment case.
- Elsewhere, shares in online estate agent Purplebricks soared driven by a buoyant secondary housing market in response to the temporary stamp duty cut and changing circumstances brought about by COVID-19, such as likely changing working patterns. The recovery in housing transactions should also help other positions held within the fund such as Mortgage Advice Bureau, Simplybiz and law firm Gateley.
- The video gaming industry continues to benefit from the increased time people are spending at home. Furthermore, an increasing amount of games are being bought digitally rather than in store which is boosting the profit margins for game developers. Frontier Developments, Nintendo and Nacon all delivered profit upgrades during the month lifting the share prices higher.

- Detractors included Bellway and Dropbox. Bellway disappointed after the housebuilder suggested it may take longer for efficiency on worksites to recover under social distancing rules. Meanwhile, Dropbox shares fell despite good results as lofty expectations of a big boost from increased working from home didn't materialise.

Discrete annual performance to 31 August

Total returns (%)	31.08.19- 31.08.20	31.08.18- 31.08.19	31.08.17- 31.08.18	31.08.16- 31.08.17	31.08.15- 31.08.16
Fund	15.9	-0.8	12.0	10.5	6.1
IA UK All Companies sector	-8.8	-3.2	6.5	13.8	8.9
FTSE All-Share Index	-12.7	0.4	4.7	14.3	11.7

The performance information presented in this document relates to the past. Past performance is not a reliable indicator of future returns.

Source: FE Analytics. Basis: total return, net income reinvested, UK Sterling, class C income shares. On 20.01.2020, this fund moved from a single pricing basis (mid) to a swing pricing basis, which is where the price can swing to either a bid or an offer basis depending on the investment and redemption activity in the fund. This means the investor selling or buying fund shares bears the associated [dis]investment costs and protects the continuing holders in the fund. Performance could be shown on a combination of bid, mid or offer prices, depending on the period of reporting.

Many funds sold in the UK are grouped into sectors by the Investment Association (the trade body that represents UK investment managers), to facilitate comparison between funds with broadly similar characteristics. The fund is classified in the IA UK All Companies sector, which we believe is a meaningful comparator to help investors assess the performance of the fund. As the fund invests in UK companies, we believe the FTSE All-Share Index, which is made up of many of the companies listed on the London Stock Exchange, is also a meaningful comparator to help investors assess performance.

Portfolio activity

- The fund took part in the IPO of Kooth, the UK's largest digital mental health provider to the NHS for children and young people aged 10-25. Using its online platform, Kooth offers one-to-one counselling for individuals on an anonymous basis without requiring a GP referral or being put on a waiting list. It currently employs over 100 professional counsellors and is looking to expand its services to adults and workers within corporate clients. With mental health issues said to impact 1 in 5 people, Kooth offers greater accessibility to those in need of help.
- We sold our position in Diageo over concerns the market is too optimistic regarding the recovery of its on-trade business. We also exited our position in Trainline, believing reduced commuting and business travel, even in a post COVID-19 world, would mean it could take many years for train passenger numbers to return to 2019 levels. With these slower recoveries predicted for both Diageo and Trainline, we could no longer justify the current valuations.

All information is accurate as at 31.08.2020 unless otherwise stated. The information provided and opinions expressed are those of the investment manager and can change. This information should not be interpreted as investment advice. Reference to a particular fund, stock or investment should not be taken as an investment recommendation.

Risks

The value of investments may fluctuate which will cause fund prices to fall as well as rise and investors may not get back the original amount invested. The performance information presented in this document relates to the past. Past performance is not a reliable indicator of future returns. Future forecasts are not reliable indicators of future returns.

Fund specific risks

The fund may invest directly into, or be exposed to via its underlying investments, a variety of assets which carry specific risks which could impact the returns from the fund. The main risks are summarised here, with further detail available in the fund's prospectus.

Equities: Equities (shares) can experience high levels of price fluctuation.

Geographic concentration: Funds that have a strong focus on a particular country or region can carry a higher risk than funds with a more diversified portfolio.

Inflation: Higher inflation can lead to some investments falling in value, particularly those with a fixed level of interest, for example government bonds and corporate bonds.

Infrastructure: Investments are often in large-scale projects whose profitability can be affected by supply problems or rising prices for raw materials or natural resources. Changes in the wider economy and government regulation can also have a significant influence.

Interest rate: Changes in central bank interest rates can affect all types of assets, in particular, securities such as government bonds and corporate bonds that generally offer a fixed level of interest. If interest rates go up, the value of a bond may fall, and vice versa.

Legal and tax: The income or capital gains from investments can sometimes be affected by changes in legal and tax regulations or how these rules are applied.

Liquidity: In some instances, for example, when market conditions generally are difficult, holdings in a fund may be difficult to sell and buy at the desired price. The fund value could fall as a result.

Operational: Processes, systems and controls around your investment might fail. The more complex or unusual the investments that the fund holds, the more likely this is to happen. For example, developing markets may have less reliable systems or lower standards of governance than more developed markets.

Property and Real Estate Investment Trusts: Property values can rise and fall sharply depending on the strength of a country's economy.

Smaller companies: Investment in smaller companies is typically higher risk than investment in larger companies. Shares in smaller companies can experience greater levels of volatility.

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A free, English language copy of the fund's full prospectus, the Key Investor Information Document and Supplementary Information Document are available on the Premier Miton website, or you can request copies by calling us on 01483 306090.

For your protection, calls may be monitored and recorded for training and quality assurance purposes.

All data is sourced to Premier Miton unless otherwise stated. Persons who do not have professional experience in matters relating to investments should not rely on the content of this document.

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