Premier Miton
INVESTORS

Miton UK MicroCap Trust plc

The problem with correlation concentration, and why this may drive renewed capital allocations to the UK stock market

FOR INVESTMENT PROFESSIONALS ONLY. CAPITAL AT RISK.

Thinking ahead of the curve

Investment team

Premier Miton INVESTORS

Gervais Williams
Head of Equities & Fund manager

- Gervais Williams joined Premier Miton in March 2011. He is Head of Equities and manages a number of funds and trusts.
- His fund management career extends over 30 years including 17 years at Gartmore Group Ltd, where he was head of UK Small Companies investing in UK smaller companies and Irish equities.
- Gervais is a member of the AIM Advisory Council, and a board member of the Quoted Companies Alliance. He was a member of the Patient Capital Review panel with the Chancellor of the Exchequer where the recommendations were put into legislation in the subsequent budget.
- Gervais has published three books, 'Slow Finance' in the autumn of 2011 (Bloomsbury), 'The Future is Small' was published in November 2014 (Harriman House) and 'The Retreat of Globalisation' published in December 2016 (Harriman House).

Martin Turner
Fund manager

- Martin Turner joined Premier Miton in May 2011.
- Martin's career began in 1992 with Arthur Andersen where he qualified as a Chartered Accountant.
- He has previously worked at Rothschild and as Head of Pan European Mid and Small Cap Sales at Merrill Lynch. Following this, Martin was Head of Sales at Teathers/Landsbanki before taking the Head of Small/Mid Cap Equities role covering research, sales and trading at Collins Stewart.
- Martin graduated from Warwick University with a degree in Accounting and Financial Analysis.

Agenda

Premier Miton INVESTORS

- The reasons why our microcap, and specifically our UK microcap strategy differs from others
- Why UK equities haven't attracted renewed allocations despite standing on such low valuations
- Thoughts on the scale of the forthcoming challenges
- Correlation concentration and how it may drive fundamental portfolio shift
- Is the UK market at danger of becoming irrelevant as the current trickle of UK delistings turn into a flood?

In what ways does the small and microcap strategy differ from others?

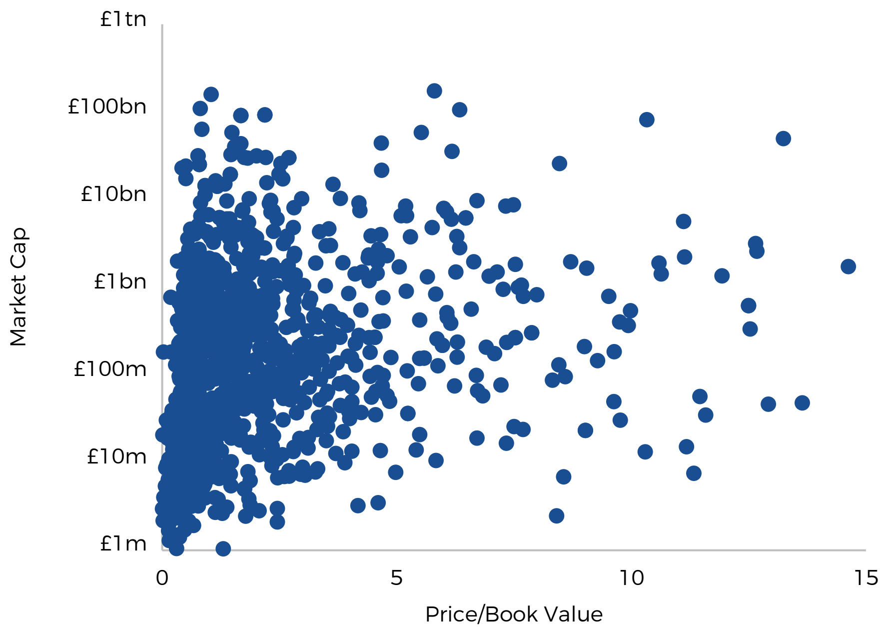
Premier Miton INVESTORS

- At its core, our microcap strategy principally comprises a UK equity portfolio that invests in quoted companies that are well-placed to generate significant cash surpluses in the coming 2 to 3 years
- Explicitly, we see the trust as an immature equity income strategy
- Note that the trust tends to sell successful holdings when they are paying a good and growing income to reinvest in others that are more immature
- As the scale of each corporate weighting is relatively modest in terms of the portfolio, the strategy has the added advantage that it can run with relatively low risk metrics as well as having the potential to deliver some of the best returns of its peer group

One of the features of the UK stock market is that it has a very wide range of market capitalisations

- The Price/Book ratio is calculated by dividing the market capitalisation of an individual stock by its shareholders funds
- A Price/Book ratio is a measure of the degree of confidence that investors have in the prospects of a quoted company
- The chart alongside indicates that that the UK stock market has numerous stocks on very attractive Price/Book ratios
- Alongside, the UK stock market is distinctive in that its investment universe has a particularly wide range of market capitalisations
- Specifically, numerous UK-quoted stocks with low market capitalisations also tend to have very undemanding Price/Book ratios as well

UK Listed stocks valuation vs size

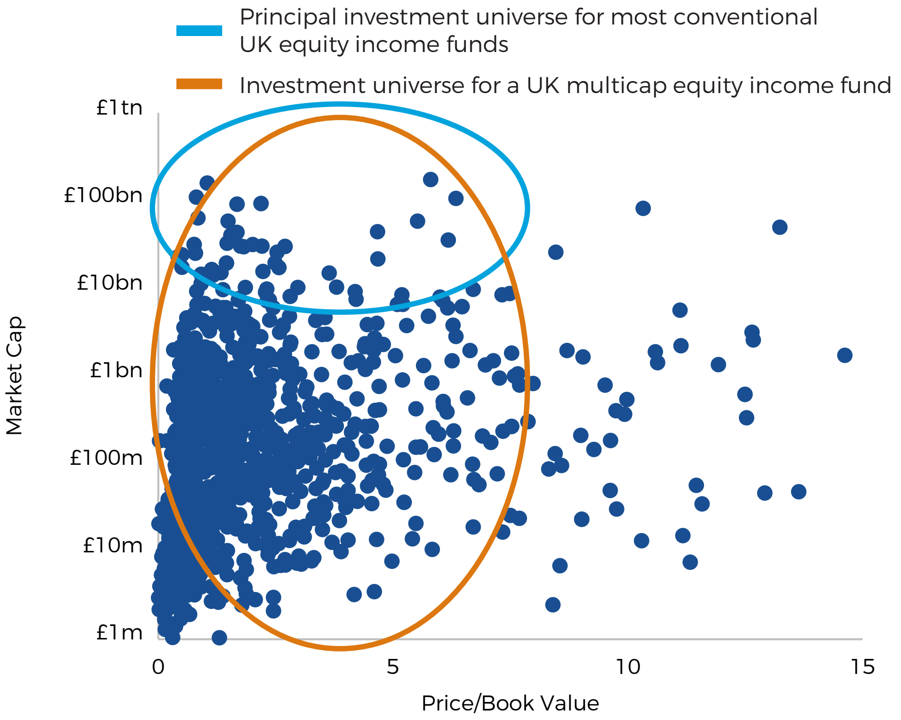


Source: Bloomberg, data as at 28.02.2023.

…and the UK market also is overrepresented in stocks that pay good and growing dividends

- In contrast to most other international stock markets, UK-quoted stocks employing capital-intensive strategies are numerous, so there are a large number of income generating stocks
- Overall, numerous UK-quoted companies generate a major part of their return via the stream of good and growing dividends, rather than relying heavily on capital appreciation
- Whilst this is known to be very much a feature of the largest UK-quoted companies, the chart alongside highlights numerous immature equity income stocks, which are typically overlooked by most professional investors.
- Specifically, with few professional investors researching stocks outside the majors, the valuations of small and microcaps down the market capitalisation range tend to less demanding.

UK Listed stocks valuation vs size



Source: Bloomberg, data as at 28.02.2023.

There are 5 golden rules of stock picking

Premier Miton INVESTORS

1. Judgements on stock specifics tend to be more valuable than assumptions on forthcoming economic trends
2. Chose your battles
3. Genuine diversification is a stock picker's best friend
4. Be super-sensitive to the risk of a permanent loss of capital
5. Know your blind spots

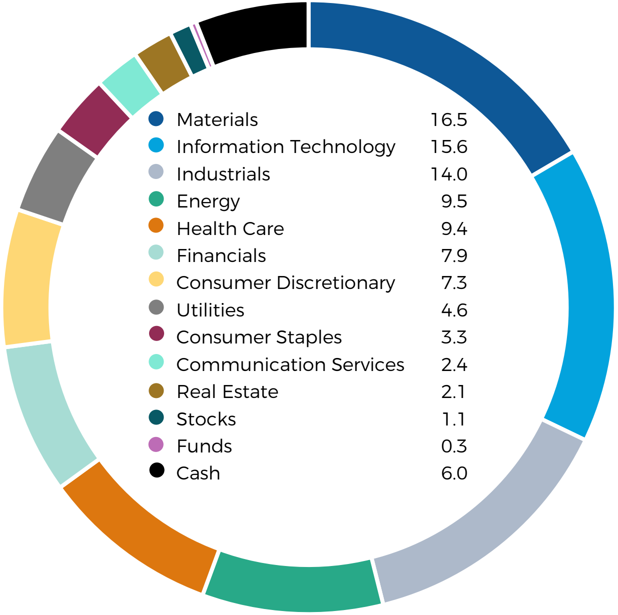
Importantly, these rules work just as well in volatile markets, as at other times when stock markets are flatlining

Alongside, microcap returns aren't especially closely correlated either…

Premier Miton INVESTORS

- One of the advantages of the UK quoted microcap investment universe, is the relatively large number of overlooked stocks that it contains
- Although many are relatively tiny in comparison to the largest quoted companies, nether the less quite a few are significant businesses in their market place, and as such have the potential to generate significant surplus cash when they succeed
- Although the largest weighting in the Trust is Materials, these companies include many that are already in production with strong balance sheets. The prospects for those mining precious metals such as Gold and Platinum for example are often boosted when the global economy is weak, whilst some others are manufacturing businesses such as Zotefoams. Jubilee Metals that was the largest holding in this sector has nearly been sold entirely
- In terms of sector make up, the trust's opportunity set tends to contrast with that of the mainstream stock market indices, and hence its returns aren't particularly correlated.

Sector breakdown for the Miton UK MicroCap Trust plc (%)



…because the microcap investment universe is so much broader than that of the mainstream stock market indices

Source: Premier Miton as at 31.03.2023. Please note asset allocation may be above or below 100% due to rounding.

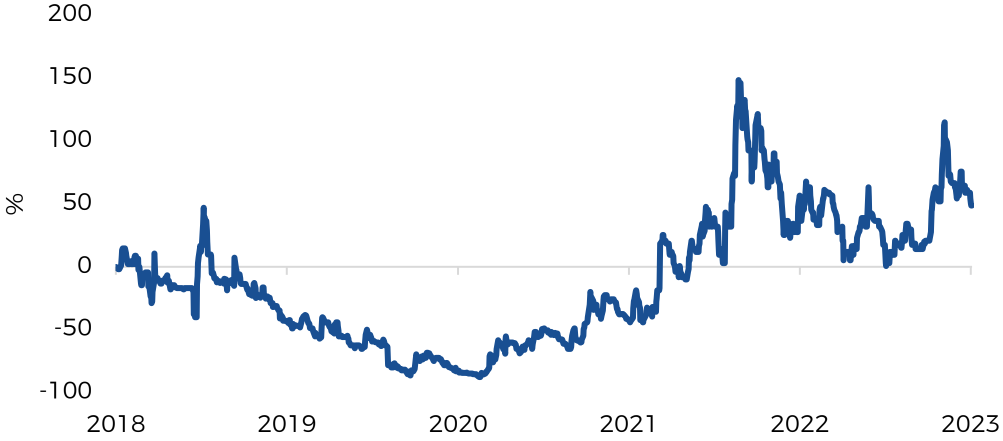
Stock selection identifies companies that look set to generate cash surpluses...

Premier Miton
INVESTORS

Cyanconnode

- Prospects for rising turnover?
- Do unexpected cost increases get passed on to the customer?
- Does the management team make decisions that we feel will build real intrinsic value?
- How much financial headroom is there in the balance sheet?
- Are there low expectations in the share price?

Share price returns 31 March 2018 to 31 March 2023



- Cyanconnode have been working with various partners to roll out trial volumes of utility meters in India for over 10 years.
- Recently the Indian government has proposed funding so that all Indian households have meters in future.
- Cyanconnode has already announced some major contracts and is waiting to hear on much larger ones in the coming months.
- Alongside, Cyanconnode is installing further trial volumes in Africa and the Middle East.
- If the company continues to run at even half its current market share, we believe it well positioned to generate abundant surplus cash.

...especially immature businesses that are operating in overlooked market sectors

Source: FE Analytics, on a UK Sterling basis, bid to bid, from 31.03.2018 to 31.03.2023.

Reference to any particular stock does not constitute a recommendation to buy or sell the stock. Past performance is not a reliable indicator of future returns.

All these judgements come together in a portfolio that actively manages both risk and opportunity…

Premier Miton INVESTORS

- Stock specific risk is further diversified in a trust of around 140 holdings
- Specifically, the stocks selected for the trust are those that in our view are already well funded and are set to generate good cash surpluses imminently
- Importantly the Miton UK MicroCap Trust differs from most other small cap strategies, in that it focuses on the UK-quoted micro cap stocks that are often overlooked by competing funds
- Generally, we seek to invest in stocks that won't need any additional funding in future, which means that even when they progress less rapidly than hoped, the longer term upside remains in place undiluted by additional capital issuance

Top 20 Trust holdings	Weight %
Yu Group	4.6%
MTI Wireless Edge	3.2%
CyanConnode Holdings	2.8%
Frontier IP Group	2.5%
Andrada Mining	2.3%
Trufin	2.2%
Accrol Group	2.0%
Braemar	1.8%
Feedback	1.7%
Eneraqua Technologies	1.7%
Van Elle	1.6%
Kinovo	1.6%
Petro Matad	1.6%
Kistos Holdings	1.5%
Shield Therapeutics	1.4%
Smarttech247 Group	1.3%
Supreme	1.2%
UP Global Sourcing Holdings	1.2%
Zinc Media Group	1.2%
Elemental Altus Royalties	1.2%

…and invests across the full range of small cap market capitalisations, so the Trust has the potential to deliver first-class returns

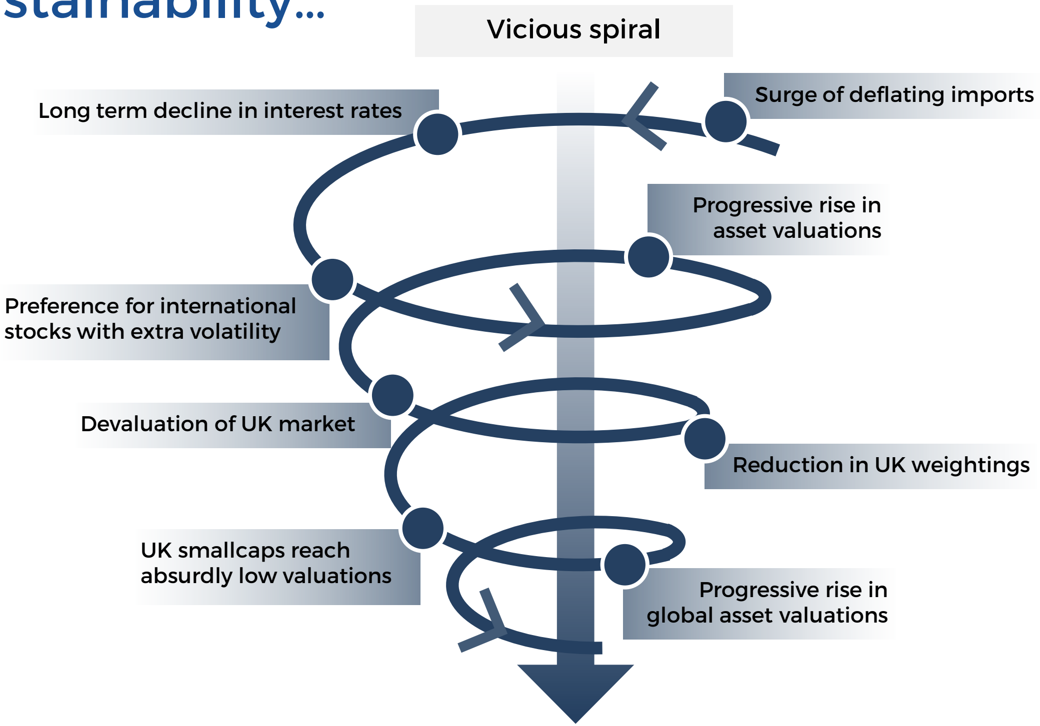
Source: Premier Miton as at 31.03.2023.

Reference to any particular stock does not constitute a recommendation to buy or sell the stock.

During globalisation, most investors reduced their UK weightings very sustainability…

Premier Miton INVESTORS

- Globalisation is often defined as a period when abundant low-cost imports offset ongoing inflation in local services, creating a period when few corporates become insolvent whilst their upside is amplified as asset valuations steadily appreciate
- In the absence of inflation, central banks can cut interest rates at will, especially during a crisis, and hence the period of globalisation is typically associated with sustained global growth, along with short economic setbacks which are addressed by central banks injecting additional demand to foster a recovery
- During globalisation, as long term interest rates decline, investors compete to buy the best performing assets, typically those with extra risk, such as high-beta equities, highly-geared balance sheets such as private equity, or those carrying the greatest credit risk such as long-dated bonds or corporate credit risk
- The UK stock market with a heritage of generating good and growing equity income are disfavoured by the globalisation trends, and hence investors have progressively reduced their weightings that has turned into a vicious spiral
- Whilst this was offset in part amongst the mainstream, international stocks, the rise in the cost of capital across the market is most extreme for UK quoted smallcaps



…so mainstream UK equity valuations are now typically well below others, with smallcaps valuations at even lower levels

Miton UK MicroCap Trust has substantial upside potential…

- The Miton UK Microcap Trust looks to generate premium returns by investing across the full range of UK quoted smaller companies, including microcaps

Cumulative performance

%	1 year	3 years	5 years	Since launch[1]
Trust NAV	-29.5	51.0	-5.6	29.8
Trust share price	-29.5	94.8	-7.2	15.6
Numis 1000 Index	-14.1	59.3	3.9	40.4
Numis All Share Index	1.8	46.8	24.1	43.9
IT UK Smaller Companies sector	-5.4	51.6	15.1	76.5

Discrete annual performance

%	2018	2019	2020	2021	2022	2023 ytd[2]
Trust NAV	-11.8	-8.1	50.0	20.0	-29.1	-8.5
Trust share price	-17.9	-0.9	33.3	28.6	-28.7	-8.6
Numis 1000 Index	-14.3	15.3	-1.5	25.0	-20.1	1.0
Numis All Share Index	-10.0	18.8	-9.4	17.3	-1.3	3.3
IT UK Smaller Companies sector	-10.1	22.2	1.3	26.0	-20.4	0.8

…and typically these returns aren't closely correlated with the fluctuations of the mainstream market indices

Source of performance data: Morningstar, as at 31.03.2023, net income reinvested, bid to bid basis. Source for other data: [1]Trust launched on 30.04.2015. [2]2023 ytd to 31.03.2023.

Past performance is not a reliable indicator of future returns.

Specifically the Miton UK MicroCap Trust has a number of features…

Premier Miton INVESTORS

A vehicle that has the potential to deliver premium returns
If UK microcaps do become a top performing sector, then a closed end capital structure is likely to become the investment vehicle of choice

Plentiful stock market trading volumes
MINI's capital structure regularly clears the register of overhanging sellers, which minimises the risk of a Mexican stand-off in the daily turnover of the Trust's shares (ie buyers not buying until institutional sellers have been cleared)

A share price that trades near the underlying NAV
The Trust's Annual Redemption Mechanism encourages short term buyers to become investors if its share price drifts too far from its underlying NAV

Competitive costs[1]
The Trust doesn't have a formal benchmark so there aren't any performance related fees. The ongoing charges figure (OCF) is 1.41%. The management costs of the Trust are limited to 0.9% of the market capitalisation of the Trust up to £100m, and 0.8% of anything beyond.

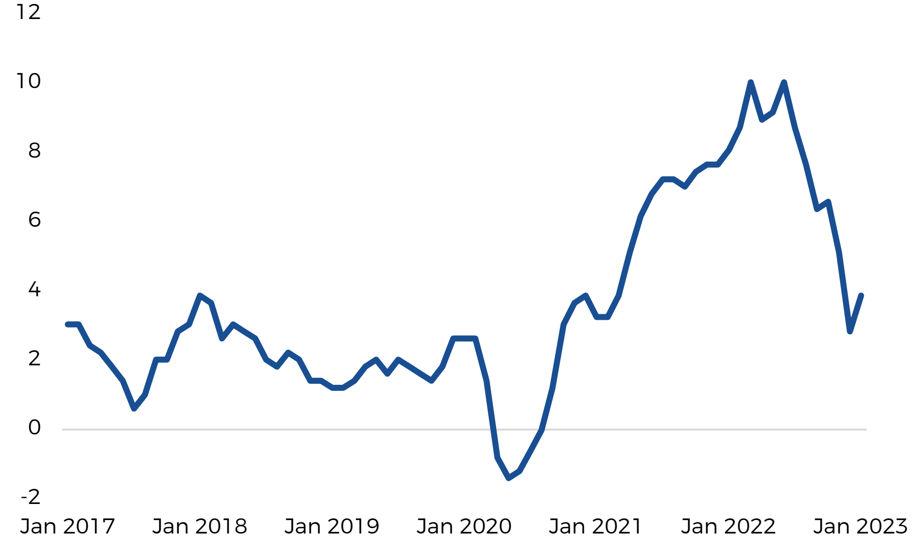
…that we anticipate will help it to fully deliver on the advantages of its strategy

Source: Premier Miton. The management fee was reduced to 0.90% (from 1.00%) with effect from 01.09.2020. Trust OCF calculated as at 30.04.2022. The ongoing charges figure (OCF) is not the same as the ongoing costs figure set out in the Company's key information document. The key differences are that gearing costs and portfolio transaction costs are not included in the OCF. In addition costs are calculated on slightly different bases. The OCF figure set out above mirrors that in the Report and Accounts and is based on costs incurred in the year which are likely to recur in the foreseeable future. The ongoing costs figures in the key information document provide investors with the impact costs have had on returns averaged over the five year recommended holding period.

Inflation has peaked, so investors are looking forward to fewer interest rate increases…

Premier Miton INVESTORS

- In retrospect, governments ended up adding excess stimulus during the global pandemic, with the impact made worse by problems with global supply at the same time
- Global demand was already in excess of global supply ahead of the Ukrainian conflict, but the reduction in energy supplies from Russia ended up scaling up inflationary pressures
- Since the global economy is heavily indebted after interest rates have fallen to such low levels, even modest increases in interest rates, along with the exceptionally high levels of gas prices in Europe, have led to a major global slowdown
- Alongside, the Chinese policy of Zero Covid, has led to a major reduction of demand
- The net effect is that whilst the twelve-month rolling CPI reports remain at high levels, the recent data implies that the inflationary pressures have already fallen back considerably
- The US six-month rolling CPI is already down to target for example as indicated by the chart alongside.

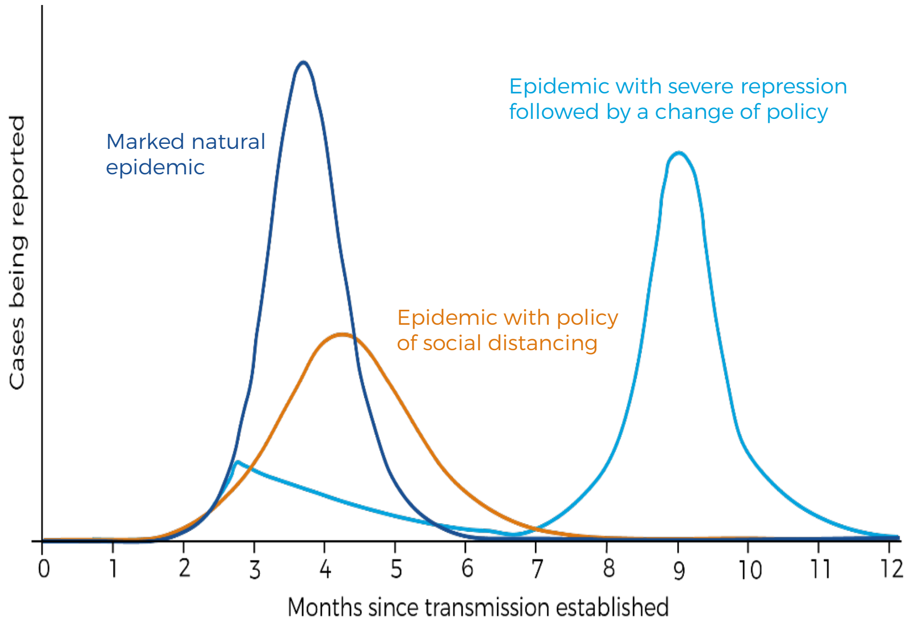


…albeit that the impact of the rate rises may soften demand for a period

Source: MacroStrategy, data from 31.01.2017 to 31.01.2023.

Investment markets are subject to cross-currents, as a recovery in Chinese demand...

- The Chinese Zero Covid policy has been utilised to keep Covid deaths down to very, very, modest levels, compared with those of used by other countries
- The problem is that it has had a very substantial impact on the ability of the Chinese economy to operate, as well as being exceptionally onerous for the daily lives of citizens
- Ultimately, the Chinese leadership have been obliged to discontinue the Zero Covid policy, and removed restrictions completely
- Despite the scale of the current Chinese epidemic, Larry Summers of Harvard University estimates that the Chinese death rate as a result of Covid will not reach half of that of the US
- Beyond the epidemic, the Chinese economy appears to be recovering well, albeit that it is still subject to additional US trade tariffs and is weighed down by excessive bank debt



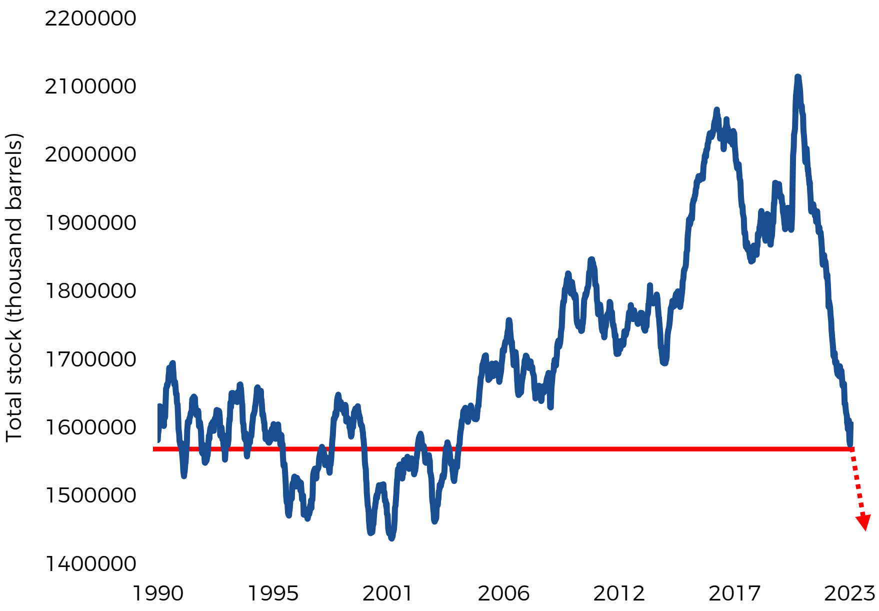
....is offset by a liquidity squeeze in the developed world

For illustration purposes only.

Energy inventories were declining even prior to the Russian invasion and the energy windfall taxes...

- Following the collapse of the oil price in 2014, energy majors scaled back energy exploration budgets. These were further cut late in the decade due to political commitments to phase out carbon-based energy by 2050. Furthermore, with the pandemic, and declines in global demand, many energy companies reduced their exploration budgets further
- Given this background, there were price spikes and potential shortfalls of European gas supply even prior Ukrainian invasion and the Russian sanctions that came with it
- Initially, there was an urgent need to rebuild winter energy inventories that led to global energy prices rising considerably over the middle of 2022, with European gas prices in particular moving up to remarkably elevated price levels
- During the second half of 2022 however, interest rates rises have cooled global energy demand somewhat. In addition, President Biden has run down the US's crude oil strategic stockpiles as well, to help reduce US petrol prices, and curry political favour over the Midterm elections
- The bottom line is that a global shortfall of new carbon-based energy could suddenly occur, at a time when global inventories are very depleted. If global demand were to pick up faster than expected, then carbon-based energy prices could spike dramatically from here

US Crude and Product Inventories since 1990



...so if global demand were to increase more than expected from here, inflationary pressures could surprise again

Source: MacroStrategy, data from 05.01.1990 to 27.01.2023.

When risk capital was abundant during globalisation, areas of higher return quickly attracted competition…

- At this stage it still isn't known if central banks will compromise and loosen their inflationary ambitions, or in their zeal to defeat inflation they will inadvertently end up supressing global growth on a long term basis, and risk an economic depression
- Whatever occurs, it seems unlikely that central banks will be able to recreate the risk capital abundance that has been a feature of asset markets over recent decades (other than potentially for short periods)
- Either way, in our view, risk capital may be scarcer in future, which could precipitate very different asset market trends
- Specifically, an inconsistent and costly supply of risk capital tends to undermine business strategies that rely on shareholders supporting numerous capital issues whilst the business makes losses
- In contrast, capital intensive strategies that invest to generate a stream of cash surpluses will find that competition is limited when risk capital is scarce, adding confidence to their future return profile
- In our view, these trends will favour quoted companies, that have capital structures principally funded by risk capital especially when compared with debt-funded private businesses

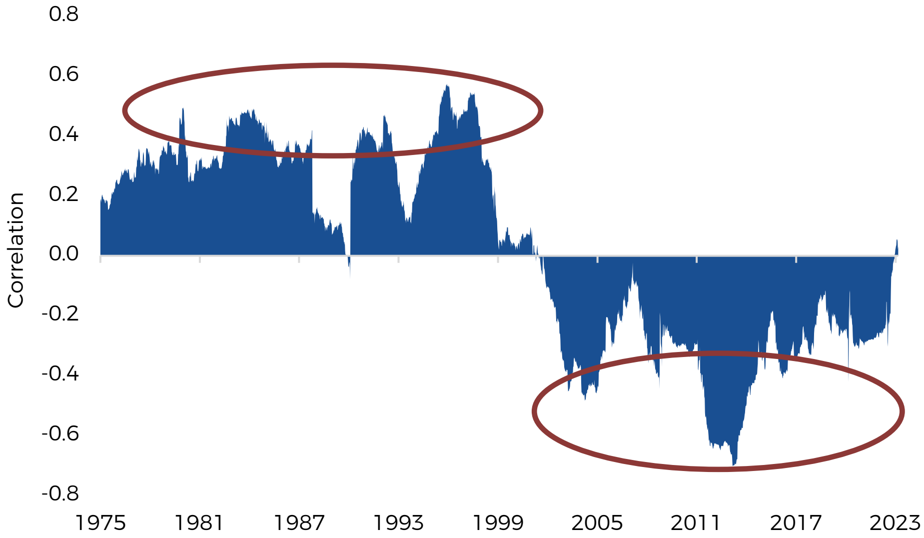



…but with inflation and higher interest rates, successful capital-intensive businesses may now have improved earnings over longer time periods

During globalisation, bonds and quoted companies provided diversified returns…

- With globalisation, the developed markets opened up to low-cost suppliers, and as their imports rose, this led to an abundance of hard currency globally that subsequently boosted asset valuations
- Since Consumer Price Index (CPI) inflation was benign during globalisation, any slowdown in global growth could be addressed by additional financial stimulus
- Taking additional risk such as investing in the most volatile equities often delivered additional returns, which was something of a headwind for the capital-intensive businesses listed in the UK
- As institutions reweighted portfolios to participate in the greater upside of international markets, they scaled back UK weightings
- Eventually after decades of a similar trend, UK equities have declined to low valuations when compared with others
- With renewed inflation over the last 12 months, global equities and bonds have both suffered a correlated decline, and investors need to build up their weightings in assets with less correlated return profiles

Correlation between US equities and US treasuries: two very different histories



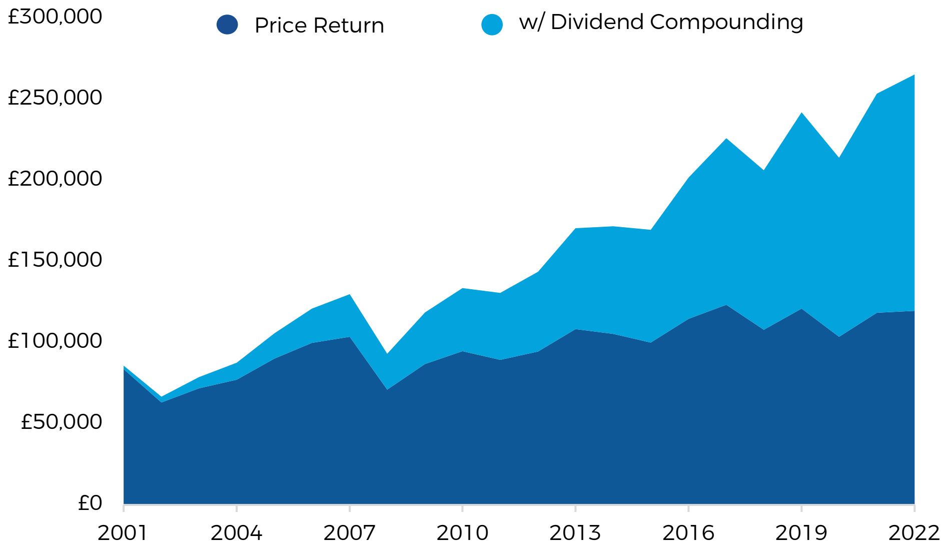
…but with inflation, there is an urgent need for investors to build up weightings in assets with less correlated returns

Source: Bloomberg, data from 03.01.1975 to 28.02.2023.

Assets generating good and growing income deliver a major part of their return via accrued income...

Premier Miton INVESTORS

£100k Investment in FTSE 100 Index
Price Increase vs Dividend Reinvestment



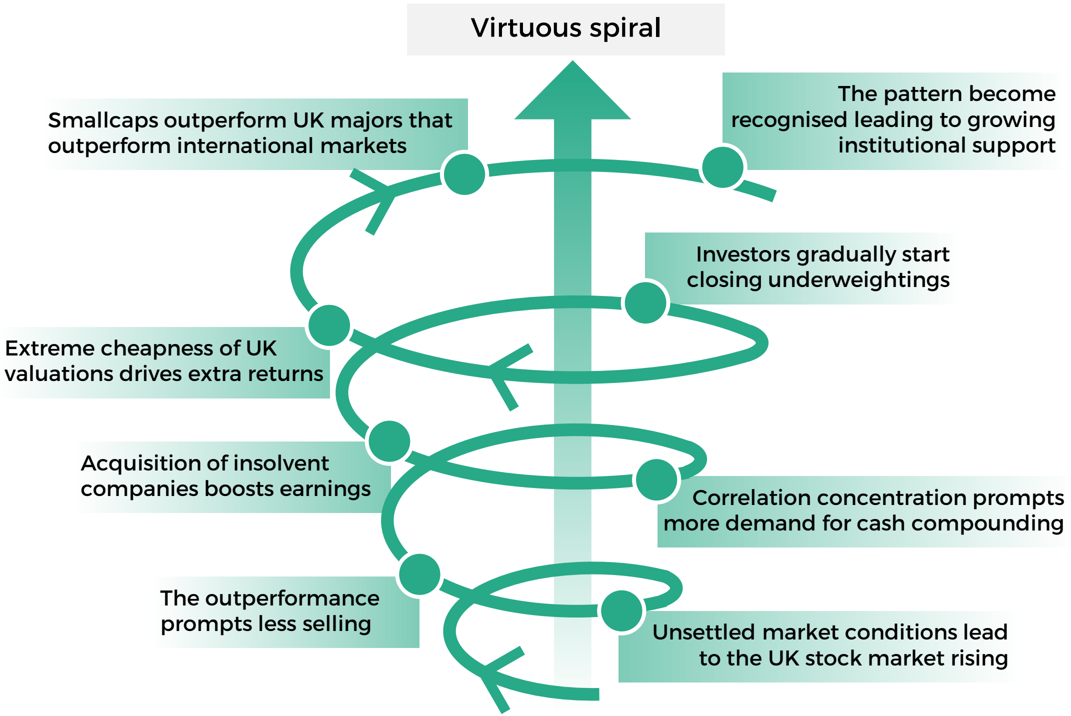
- Since the UK economy has a heritage of inflation, the UK stock market tends to have a relatively high weighting of capital intensive stocks, and mainstream UK stocks typically pay an attractive stream of good and growing income
- During globalisation, when risk capital was abundant, many capital intensive stocks only generated significant capital appreciation episodically, as new capital rushed in to crowd out the return
- Specifically, the FTSE 100 Index reached a high of 6930 in December 1999 and despite substantial global growth subsequently it was only 7452 at the end of December 2022
- Despite the absence of FTSE 100 Index appreciation, the total return on the index has generated a return well above inflation, through the compounding of good and growing dividends
- With the potential change of market trends, and the risk that asset appreciation is much more limited in future, we believe that assets that generate a good and growing income will become more popular
- The valuation of the UK stock market has declined to unusually attractive levels over the years when investors have progressively scaled back their weightings so in our view, if the UK stock market were to start attracting new flows, it could outperform for years before becoming overvalued

...which is a particular feature of the UK given its universe of capital-intensive stocks income stocks

Source: Bloomberg, data as at 30.12.2022. **Past performance is not a reliable indicator of future returns.**

Beyond globalisation, to diversify strategy risk we anticipate that the cash compounding of UK equities will attract sustained inflows…

- After some decades of a vicious spiral, few investors are willing to countenance that the adverse trend can come to an end, let alone that it might be displaced by a virtuous spiral
- But in our view inflation changes everything, as concerns over correlation across numerous funds, and numerous asset classes drives investors to actively seek areas with different return characteristics
- In particular, if many stock exchanges flatline in future years, equities paying good and growing dividends won't just continue to deliver attractive returns, but also will help offset periods of additional inflation, because their dividend income can rise to reflect the increase in fiat money
- Furthermore, companies generating surplus cash not only carry lesser risk of insolvency, but better still can acquire over-leveraged businesses debt-free from the receiver at knock down prices, amplifying their ongoing growth potential
- The greatest upside potential lies with UK small and microcap stocks, as in their cases the acquisitions can sometime deliver transformational improvements to their prospects
- With the UK market starting at unusually low valuations, and with most asset allocators being underweight, the new trend has the potential to turn into a virtuous spiral that could last decades



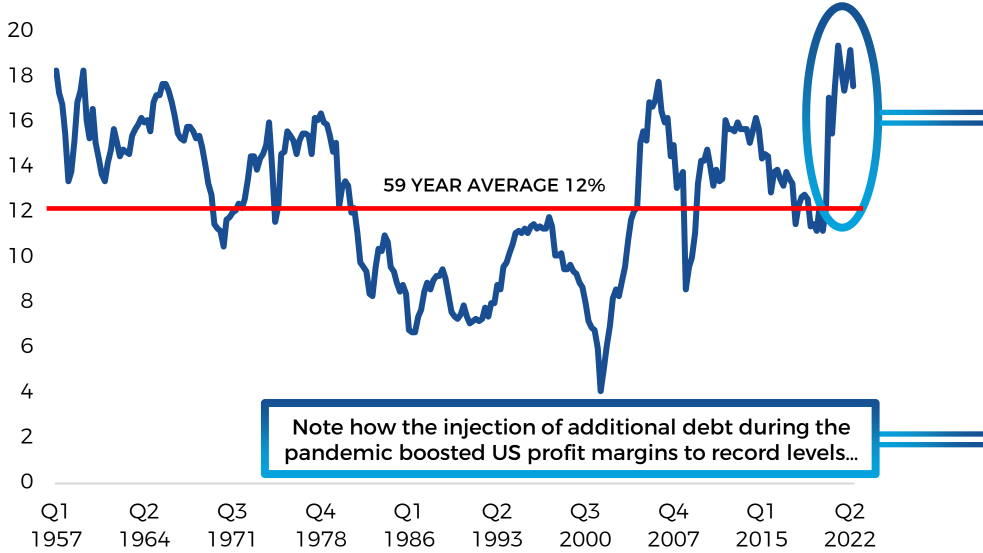
…that will not only drive up valuations, but most particularly those of UK small and microcaps

As interest rate rises supress demand, and customers become more price sensitive…

Premier Miton INVESTORS

- One of the features of globalisation and the progressive decline in interest rates is that it has encouraged consumers, corporates and governments to spend more than their income
- Credit fuelled demand has a side effect of enhancing corporate profit margins, so the US metrics have risen from around 8% in the early 1990's to 16% by the early 2000's, and over 18% since 2020 - abnormally high levels
- Management teams become accustomed to the current level of profit margins, and don't recognise how dangerous geared capital structures are when profit margins normalise – which we expect will lead to an unusually abrupt end to almost all equity buybacks
- Better still, quoted companies generating surplus cash can fund acquisitions of over-leveraged businesses, at knock down prices, debt-free from the receiver thereby accelerating their growth when others are suffering
- We believe the UK's heritage of preferring stocks generating surplus cash will have the greatest upside potential
- There may be an equally substantial change in active fund management, as risk-embracing strategies that outperformed during globalisation are displaced by more risk-sensitive strategies that outperform in future

Pretax profits as a percentage of gross product of non-financial corporate business – US



…and it will be essential to select for stocks that can retain margin – such as those delivering outstanding service levels to their customers

Source: Refinitiv Datastream.

When the cost of capital rises, stocks generating cash surpluses have the advantage....

Premier Miton INVESTORS

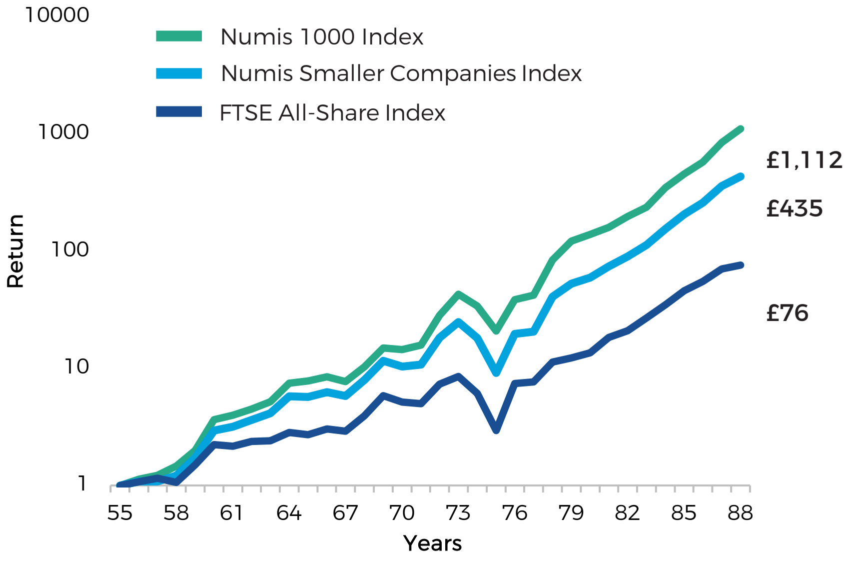
- When inflationary pressures are evident, central banks typically raise interest rates to cool demand, to bring it back into balance with supply
- Unfortunately, the combination of a reduction in demand and the price wars that this sometimes precipitates, together with the increased cost of debt, lead to companies being forced to sell parts of the business at distressed valuations, or risk corporate insolvency
- Some of these businesses can change hands for as little as £1, because normally the acquirer has to replace the working capital that has been lost
- Even so, many of these acquisitions can deliver very rapid cash paybacks
- Quoted companies generating cash surpluses are often well positioned to participate in these deals, and when they do they often greatly enhance their earnings

... as they can acquire overleveraged but otherwise viable businesses from the receiver, debt-free at knock down prices

In our experience companies that seek to deliver outstanding customer service…

Premier Miton INVESTORS

Performance of Numis 1000 Index v Numis Smaller Companies Index[1] vs FTSE All-Share Index 1955-1988



- At times when capital was scarce, often the UK exchange rate was weak, which would typically favour businesses with major international earnings, such as the largest quoted companies in the UK
- Nevertheless, UK-quoted small and microcap stocks typically outperformed UK majors because the upside potential of acquiring overindebted but viable businesses, debt-free from the receiver enhanced their earnings prospects to a much greater degree than the larger stocks
- Their diminutive scale prior to such acquisitions, means that sometimes insolvent acquisitions could deliver transformational uplifts to their earnings, especially in the case of quoted microcaps
- Overall, the inflationary period between 1985 and 1988 was associated with the FTSE All-Share Index being one of the better performing stock markets, along with the best performing part being quoted small-caps (in spite of Sterling weakness at the time, and the need for the UK Government to take International Monetary Fund loan in 1976)

…have the greatest scope to hold on to their profit margins, whilst ordinary businesses can suffer disproportionately

Source: Numis Securities, Elroy Dimson and Paul Marsh of London Business School. [1]Formerly RBS Hoare Govett Smaller Companies Index.

Past performance is not a reliable indicator of future returns.

The current dribble of UK relisting's overseas, could quickly become a stream and potentially a flood…

Premier Miton
INVESTORS

- Over time, some public limited companies have recognised that one way to improve their cost of capital is to move their primary listing, (which also includes their index inclusion) away from London to another stock market – most often the US
- Generally, the early adopters had an additional specific reason for moving, but more recently the flow has accelerated
- Given the potential for a near-immediate uplift in valuation, we believe the current dribble could quickly become a stream, or even a flood, precipitating a step down in the UK's weighting in the global stock market indices
- In the short term, as investors progressively anticipate the increasing number of stocks moving their listing, there is scope for the UK, mainstream stock market indices to substantially revalue upwards
- Thereafter, even as the UK's weighting in global indices reduces, we anticipate that institutional interest will continue to increase as they seek diversification away from too much capital appreciation strategy risk to include greater participation in the UK's cash compounding strategies
- Furthermore, we also anticipate that politicians will bear down on the progressive elimination of risk by the regulators, leading to renewed potential to deliver premium returns, with the UK's stock market having the potential to become the leading equity market for quoted, smallcaps in the world

Why stock-market tourists flock to New York
THE WALL STREET JOURNAL.

FirstFT: CRH delivers fresh blow to London's capital market

BHP to delist in London as it centralises in Australia

Arm opts for New York stock listing in blow to London

FCA regulator blamed for Arm's decision to shun London listing

…driving a substantial uplift in the UK stock market, and an equally large change in the mood of regulation

In short, the Miton UK MicroCap Trust strategy is intentionally different...

Premier Miton INVESTORS

The return characteristics since the trust's launch on 30.04.2015

	Alpha	Beta	Max drawdown	Sharpe	Sortino	Volatility
Miton UK MicroCap Trust	-1.0	0.8	-47.7	-0.0	-0.0	13.8
Numis 1000 Index	0.0	1.0	-47.3	0.1	0.1	16.0
Numis All Share Index	-3.0	0.9	-38.4	-0.1	-0.2	19.4

...because it has a limited Beta and an attractive Alpha, both of which we expect to become increasingly important to investors from here

Source of performance data: Morningstar, as at 31.03.2023, net income reinvested, bid to bid basis.

Past performance is not a reliable indicator of future returns.

Conclusions

Premier Miton INVESTORS

- During the globalisation decades, UK quoted companies underperformed and as capital was reallocated elsewhere, their valuation fell versus others, to the extent that some are now moving their principal listing elsewhere

- Inflation changes everything, so market trends are currently in a period of flux

- Interestingly, companies generating surplus cash aren't just more resilient during unsettled economic periods, but can sometimes enhance their prospects by acquiring viable businesses from distressed sellers

- The UK Micro Cap Trust strategy is well placed to weather the current challenges, as many of its portfolio holdings may have commercial advantages at this time

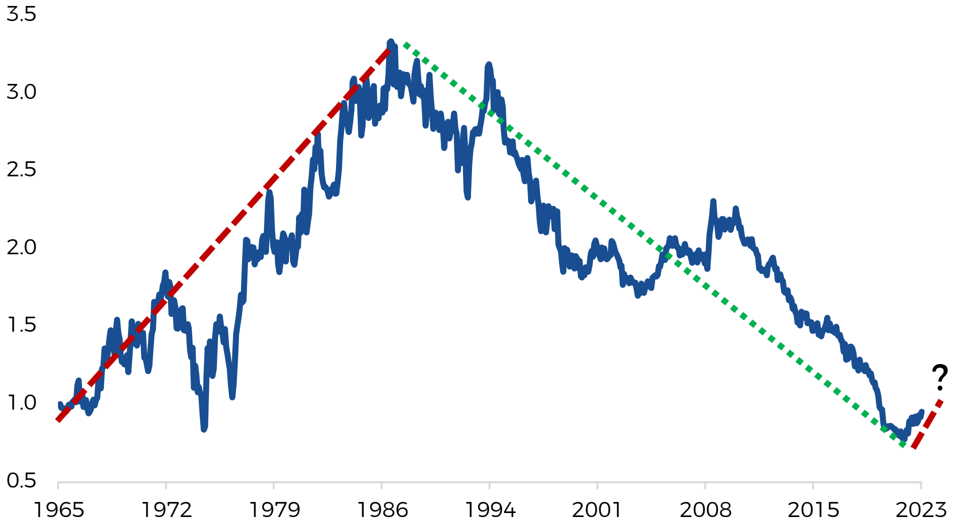
- Furthermore, the investment trust structure can have major advantages when the sources of premium return are necessarily limited in capacity

Major long-term uptrends are born in heavily underweighted assets on overlooked valuations...

Premier Miton INVESTORS

- At times of risk capital scarcity, businesses that generate good and growing cash surpluses have the advantage, in that they tend to have a much greater margin of safety
- Equity income stocks that prove resilient have the potential to absorb market positions vacated by businesses that fail, and continue to invest in improving their market position at a time when many others are constrained by increases in the cost of debt
- Furthermore, quoted businesses that prove resilient also have the potential to raise additional capital from external shareholders and acquire previously overindebted, but otherwise viable businesses from the receiver at knock-down valuations, that enhance their future dividend growth further
- All of these factors tend to favour stock markets such as the UK that are dominated by stocks paying good and growing dividends
- Also, as investors grow to recognise the new trend, they scale up their weightings which over time has the potential to drive sustained UK outperformance of other stock markets such as the S&P Index in the US

The FTSE All-Share Index vs the S&P 500
Both indices recorded in a similar currency



...so when the UK recovery comes, we expect it to surprise in terms of scale and duration

Source: Bloomberg, data from 26.02.1965 to 28.02.2023.

Important information

Premier Miton INVESTORS

For Investment Professionals only. No other persons should rely on any information contained within.

Whilst every effort has been made to ensure the accuracy of the information provided, we regret that we cannot accept responsibility for any omissions or errors.

The views and opinions expressed here are those of the author at the time of writing and can change; they may not represent the views of Premier Miton and should not be taken as statements of fact, nor should they be relied upon for making investment decisions.

Reference to any particular stock does not constitute a recommendation to buy or sell the stock.

All data is sourced to Premier Miton unless otherwise stated.

A free, English language copy of the trust's full Prospectus, the Key Information Document and Pre-investment Disclosure Document are available on the Premier Miton website, or copies can be requested by calling 0333 456 4560 or emailing contactus@premiermiton.com.

Financial Promotion issued by Premier Portfolio Managers Limited, (registered in England no. 01235867), authorised and regulated by the Financial Conduct Authority, a member of the Premier Miton Investors marketing group and a subsidiary of Premier Miton Group plc (registered in England no. 06306664). Registered office: Eastgate Court, High Street, Guildford, Surrey GU1 3DE.

For more information:

premiermiton.com
0333 456 4560

009574/190423