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Miton UK MicroCap Trust plc

As international country relationships fragment, we believe that risk sensitivity will drive a sea change in portfolio composition

Thinking ahead of the curve

Investment team

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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

- Update on current positioning of the Premier Miton UK MicroCap Trust
- Why is there a potential advantage to invest in trust with returns characteristics that are less correlated with the mainstream stock
- Attention to the scale of how much market valuations currently vary
- If economic conditions were to become persistently more testing in future, what are the implications?
- Overall, is there any role for smallness in modern, highly liquid portfolios?
- Conclusions

Specifically, the Miton UK MicroCap Trust strategy contrasts with others in the small cap peer group…

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The Miton UK Microcap Trust strategy has a number of features that differentiate it from many others in the smallcap investment universe

1. The trust's investment universe focuses on UK-quoted microcap stocks, which have a history of outperforming the UK-quoted smallcap stocks
2. Specifically, the trust's strategy focuses on microcaps that are concluding a period of investment, in anticipation that the businesses will subsequently generate significant cash surpluses in the coming years
3. Stock specific risk is moderated by investing in a portfolio of around 120 stocks, with prospects that are relatively uncorrelated
4. Stock specific risk is further moderated though a preference for investing in stocks with relatively strong balance sheets, so that should progress turn out to be slower than expected, the company is still anticipated to remain relatively well funded
5. As the UK-quoted microcap universe is under-researched by most fund managers, we believe some microcaps have almost option-like upside potential. In short, there are opportunities to identify stocks with particularly attractive risk/reward ratios

…in five areas

Yu Group for example, has prospered at a time when many others have become insolvent…

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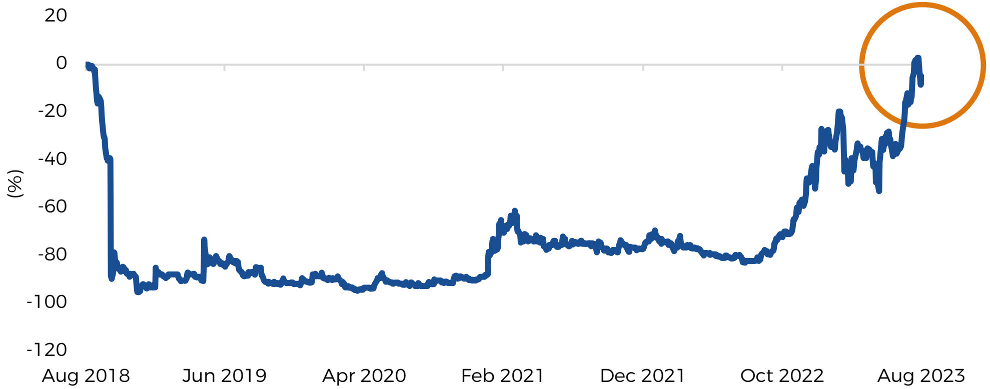
Yu Group

- 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 August 2018 to 31 August 2023



- Yu Group is an energy utility, in that it purchases electricity and gas from the suppliers, it hires the use of the utility lines, and companies buy their energy supply for companies like theirs
- Yu Group aims to outcompete the competitors via better service standards, and it has increased sales significantly over many years
- The Yu Group share price remained overlooked for some years, even though it generated ongoing profitable growth
- Yu Group hasn't been affected by the problems of some of the consumers utilities and underlined this by starting to pay dividends, which may have been one of the reasons its share prices has risen substantially recently.

…but it remained overlooked for some years –until a recognition of its forthcoming cash surpluses suddenly brought in a surge of new investors

Source: FE Analytics, on a UK Sterling basis, bid to bid, from 31.08.2018 to 31.08.2023. Yu group was first purchased on 19.07.2016.

Past performance is not a guide to future returns.

The Miton UK MicroCap Trust actively focuses on quoted microcaps with these characteristics…

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- As quoted microcaps are by their nature small, the Trust's portfolio comprises around 120 positions
- Specifically, the companies selected for the trust are those that in our view are well funded and are set to generate good cash surpluses imminently
- Importantly, the Miton UK Microcap Trust differs from most other smallcap strategies, in that it focuses on UK quoted microcaps that are often overlooked by competing funds
- Generally, we seek to invest in stocks that won't need additional funding in future, which means that even when they progress less rapidly than hoped, the longer term upside still remains in place undiluted by additional capital issuance

Top 20 holdings	Weight %
Yu Group	7.5
CyanConnode	3.1
MTI Wireless Edge	3.0
Shield Therapeutics	2.7
Trufin	2.6
Accrol	2.2
Pantheon Resources	2.1
Andrada Mining	2.0
Supreme	1.8
Frontier IP	1.8
DX (Group)	1.5
Braemar	1.4
Van Elle	1.4
Zinc Media	1.4
Savannah Resources	1.4
Smarttech247	1.4
Kistos	1.4
Zephyr Energy	1.3
Journeo	1.3
Marwyn Value Investors	1.2

…whilst individual stock specific risk is moderated by actively selecting holdings with prospects that are not closely correlated

Source: Premier Miton/ Bloomberg as at 31.08.2023.

Accrol has invested heavily in supplying supermarkets with own brand toilet paper...

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Accrol Group

- 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 August 2018 to 31 August 2023

- Accrol Group listed in 2016 and has invested heavily over recent years in efficient manufacturing of own brand toilet paper, and improving automation
- Furthermore, Accrol has also acquired a non-plastic wet wipe manufacturer with products suitable for use in the loo
- The government is set to ban plastic wet wipes, and Accrol appears to be a prime beneficiary

...and as this investment matures, we look forward to its potential of generating a growing cash surplus in the coming years

Source: FE Analytics, on a UK Sterling basis, bid to bid, from 31.08.2018 to 31.08.2023. Accrol group was first purchased on 31.05.2016.

Past performance is not a guide to future returns.

Meanwhile with high yields on bonds, UK OEIC investors have reduced their holdings even more rapidly

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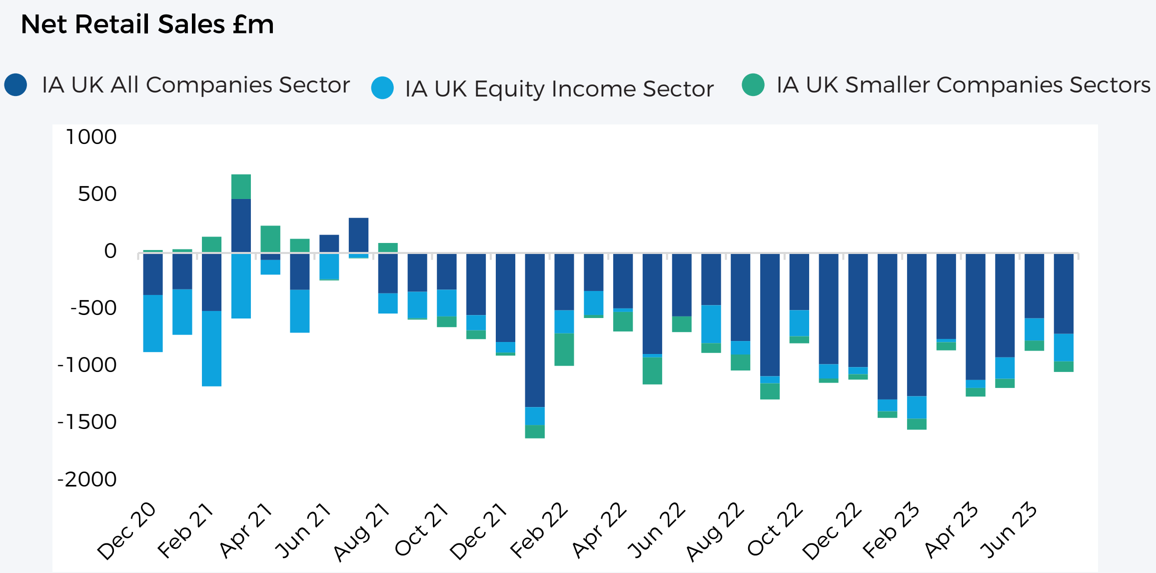

...as UK assets have been used for decades as a source of capital to invest elsewhere

Source: The Investment Association. Data from 30.11.2020 to 31.07.2023.

MTI Wireless Edge has a long history of investing to generate good and growing cash surpluses…

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MTI Wireless Edge

- 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?

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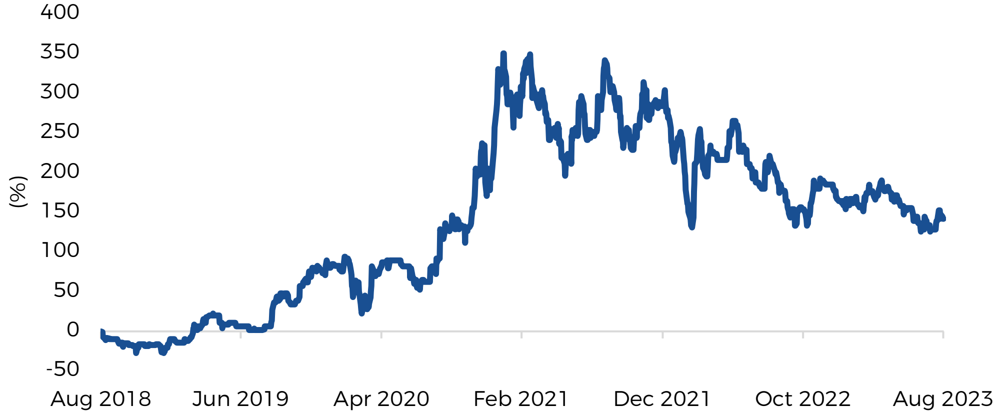


- Originally, MTI was a manufacturer of specialist aerials, although over the years it has widened its operations to irrigation and electronic component supply
- MTI has a history of generating progressively more profits, and of paying gradually increasing dividends, and keeping a very conservatively financed balance sheet
- Whilst MTI's share price has risen considerably since the trust first invested, in our view its prospects remain considerably stronger than implied by its current forecasts

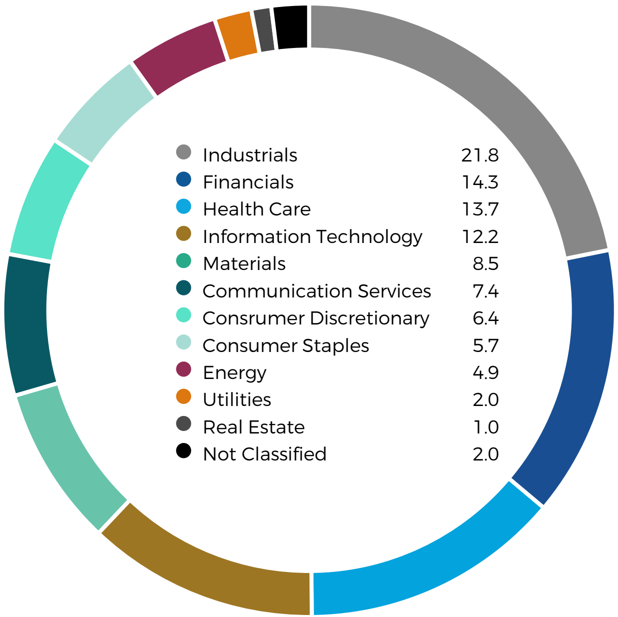
…and yet its share price fluctuates significantly compared to its relatively stable and growing stream of dividends

Source: FE Analytics, on a UK Sterling basis, bid to bid, from 31.08.2018 to 31.08.2023. MTI Wireless Edge was first purchased on 20.05.2016.

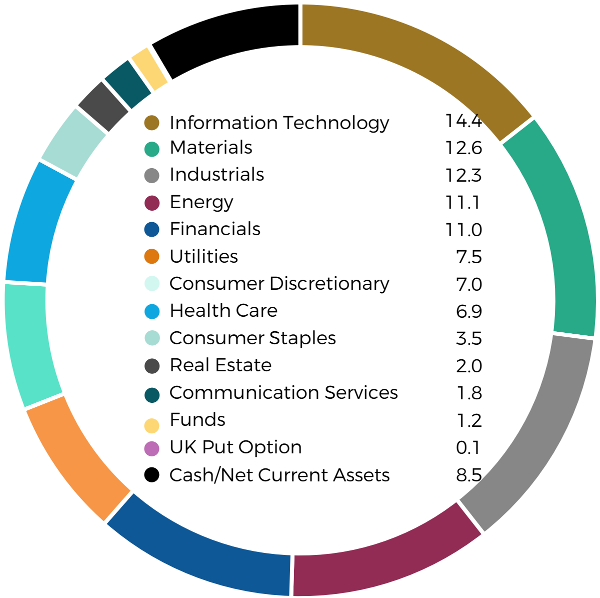
Past performance is not a guide to future returns.

The fund participates across the full range of industry sectors…

Sector breakdown FTSE AIM All-Share Index (%)



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



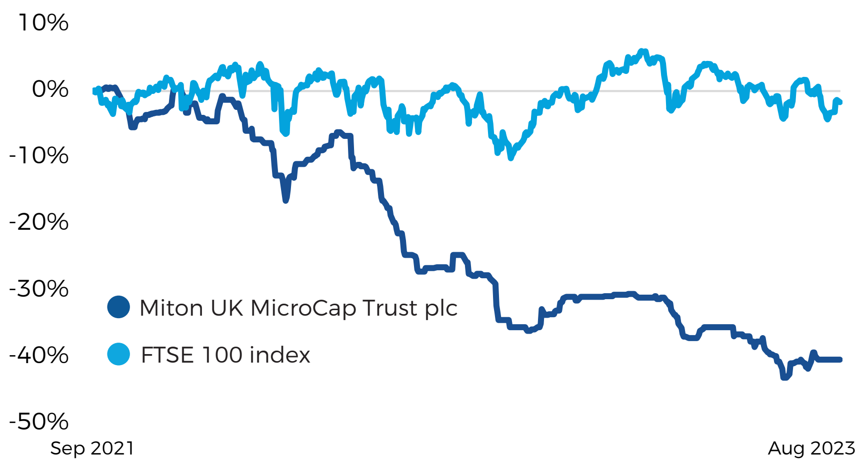
…and hence the portfolio isn't especially reliant on any particular sector, or a fashionable trend to look to deliver returns

Source: Premier Miton/Bloomberg as at 31.08.2023. Please note asset allocation may be above or below 100% due to rounding.

UK OEIC's have been sellers of mainstream companies over the last two years, but these have more than offset by global investors...

- Although UK OEIC sellers have been running at significant volumes over recent quarters, it is noteworthy that the return on the FTSE100 Index has outperformed many international comparatives over the last 30 months
- Given the scale of the OEIC selling that implies that other investors must have stepped in to buy FTSE100 stocks at a pace that exceeds the local selling
- In our view, one of those parties might be international investors, who being heavily underweighted in dividend compounding strategies, have increased their weightings
- Meanwhile, the ongoing OEIC redemptions have also led to significant local selling of UK-quoted small and microcaps
- As this has been largely unmatched by increased interest by other investors, marginal sellers have led to the share prices of small and microcaps to underperform
- In the two years to July 2023, the UK MicroCap Trust has underperformed the FTSE 100 Index by 50%

Performance from 01 September 2021 to 31 August 2023



- it has been similar for microcaps, although without the global buyers, OEIC sellers have ended up driving down their share prices

. Source: Bloomberg, data as at 31.08.2023.

Past performance is not a guide to future returns.

But microcap interest appeared to be near non-existent four years ago, and then even small changes in flow…

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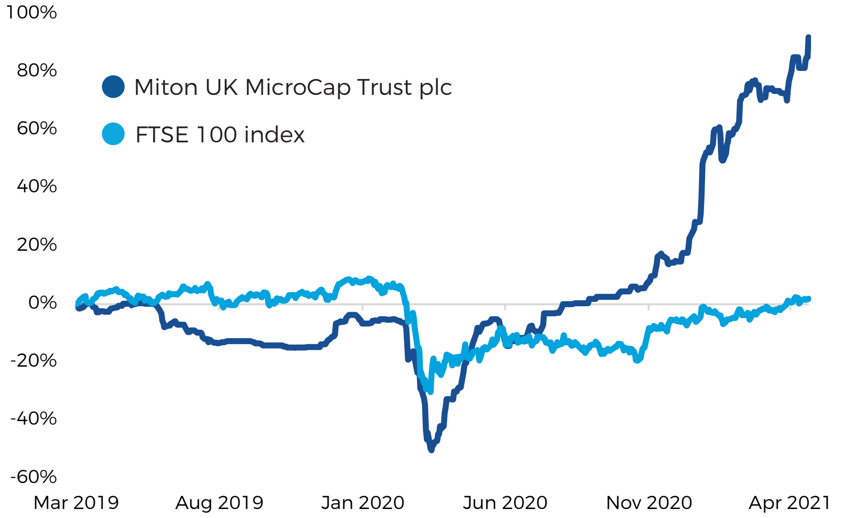
- During 2018 and 2019, there was gridlock in Parliament as politicians were unable to agree on what kind of Brexit agreement with the EU was appropriate
- Whilst the Parliamentary gridlock was resolved by an General Election at the end of 2019, the problem was quickly eclipsed by problems with the global pandemic
- Although this precipitated a global recession, many UK-quoted microcaps were relatively resilient given the relative strong balance sheets, and many used their access to institutional capital to take advantage of the economic cross-currents at the time
- It is interesting to note that whilst the returns on the mainstream FTSE100 index was modest over the two years to March 2021, small and microcap returns were relatively strong
- Specifically, the returns on the Miton UK Microcap Trust were very strong over the two years to March 2021, and this return had the added advantage that it wasn't closely correlated with the return of the UK majors

Performance from 30 April 2019 to 30 April 2021



…led to the trust's NAV to increase substantially – and it delivered an uncorrelated return whilst the mainstream market was flatlining

Source: Bloomberg, data correct as at 30.04.2023.

Past performance is not a guide to future returns.

Typical groupthink...

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- Groupthink is a psychological phenomenon in which individuals within a group prioritise consensus over personal doubts
- Groupthink theory was first pioneered by Irving Janis of Yale University in the 1970's
- Specifically it investigated why people will sometimes willingly set aside their own knowledge or experience in deference of the 'wisdom' of the broader group
- The phenomenon can be highly problematic, because collective groupthink can lead to teams of intelligent and experienced individuals holding onto decisions even in the context of foreseeable outsized downside risks

Holy cows are unquestioned and unchallengeable. Groupthink typically becomes a feature when a successful long-term decision gradually becomes something of a holy cow

The illusion of unanimity leads to individuals believing that everyone in the team has a unified view and feels the same way. When everyone else in a group is on the same page, airing open questions can give the impression that the individual has inferior intellect

Self-censorship causes people who have specific, rational doubts or experiences that challenge the consensus to stay quiet, on the assumption that the group is already aware of these misgivings and has good reasons to disregard them

Ongoing post-event rationalisation finds reasons why events that don't fit in with the consensual narrative might be one-offs or exceptions, which then justifies why the group can safely ignore what might be warning signs

"Mindguards" Just occasionally, opinionated individuals buy into a concept so heavily that they become self-appointed censors or mindguards that demonise out-group members as disloyal or traitorous. Problematic information contests their position, so sometimes they end up hiding this from the group so it remains ignorant of relevant new data or ideas

A reluctance to address known outsized risks With collective groupthink, the illusion of unanimity is interpreted as active ongoing support for the retention of status quo for the future. Specifically, as the scale of current risks or consideration of alternative strategies are never voiced, the status quo is typically retained even when it is clearly inappropriate due to entirely foreseeable outsized risks

Source: Premier Miton Analysis using data from Wikipedia, correct as at 31.08.2023.

Financial markets are uniquely vulnerable to groupthink...

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- There is a working assumption that market prices are normally right, because they reflect the live balance between willing seller and willing buyer
- Hence, when certain groups of companies outperform, investors often have faith there is a rational explanation
- At times, when favourable market trends persist however, the trend itself can start to spawn new short-term buyers, especially in cases where there is a simplified rationale why elevated valuations are justifiable and may increase further
- Within financial exchanges, at worst this pattern of reflexivity becomes self-feeding as rising asset prices bring in increasingly more buyers so the assets themselves appreciate rapidly and ultimately become hopelessly out of line with the fundamentals
- In the world of competitive fund management, this pattern has a name – Fear Of Missing Out – FOMO
- Numerous historical examples highlight how much collective groupthink within financial markets can leave market participants overconfident with large weightings in assets that have foreseeable outsized downside risks

Tulip bulbs justify high valuations because they can seed numerous high-value bulbs. Famously, the tulip mania on the Dutch exchanges led to tulip bulbs appreciating to valuations where a single bulb was worth upwards of five times more than houses, before plunging by 99.99%.

Japanese assets are much more productive that other developed economies. Tokyo real estate price surged between 1985 and 1989. At that point the value of the Imperial Palace grounds was worth more that all the real estate in the state of California.

Large tech weightings should be a core unchanging part of a portfolio. During the dot.com boom, the mantra that technology was central to the future led to a heavy skew of capital into dot.com companies, even though many didn't have business plans, and their valuations in most cases were larger than that of their turnover. Their share prices plunged thereafter, and most dot-com businesses turned out to be unviable

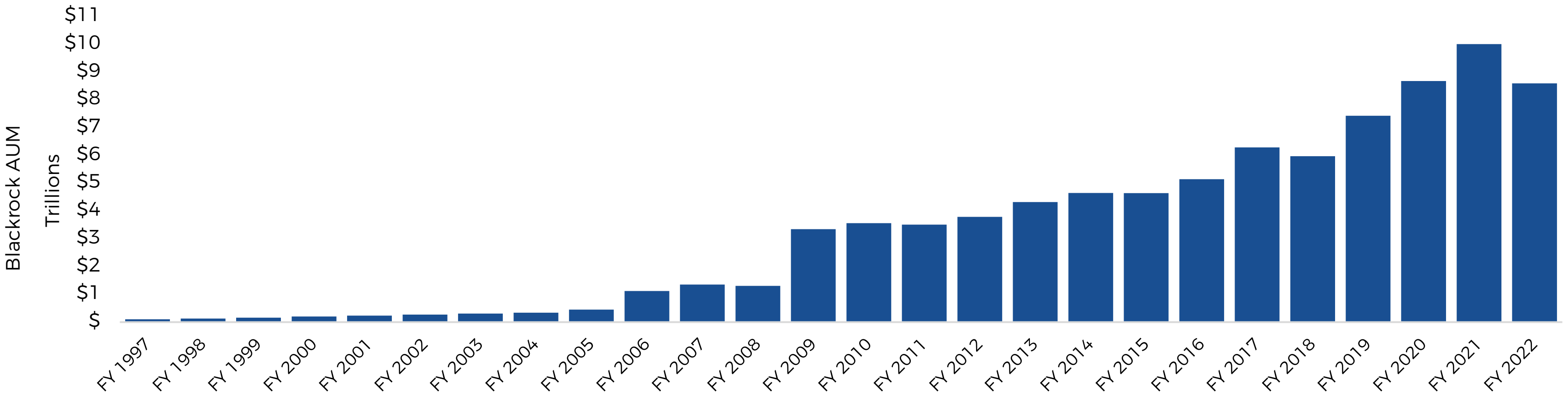
Russia won't invade Ukraine given the scale of the downside economic risks. The share prices of companies with operations in Russian that were listed on mainstream exchanges barely wobbled prior to the Russian invasion of Ukraine, despite a huge build up of troops on the border and US pronouncements that an invasion was imminent. Share prices of companies such as Polymetal International PLC fell 92%[1] on the invasion, with sanctions subsequently driving investors out of residual holdings as portfolios including them, were viewed as toxic by clients.

Source: Premier Miton Analysis using data from Wikipedia, correct as at 31.08.2023. [1]Source: Bloomberg from 09.01.2021 to 28.07.2023.

Past performance is not a guide to future returns.

The purpose of equity markets is to allocate capital to businesses that generate productivity improvement…

Blackrock Assets Under Management from 1997 to 2022



…but fifteen years of Quantitative easing (QE) has distorted market prices, greatly favouring large caps, and led to a stagnation of global productivity

Source: Bloomberg from 31.12.1996 to 31.12.2022.
Past performance is not a guide to future returns.

And yet, it is known that quoted large caps near-permanently underperform the mainstream indices…

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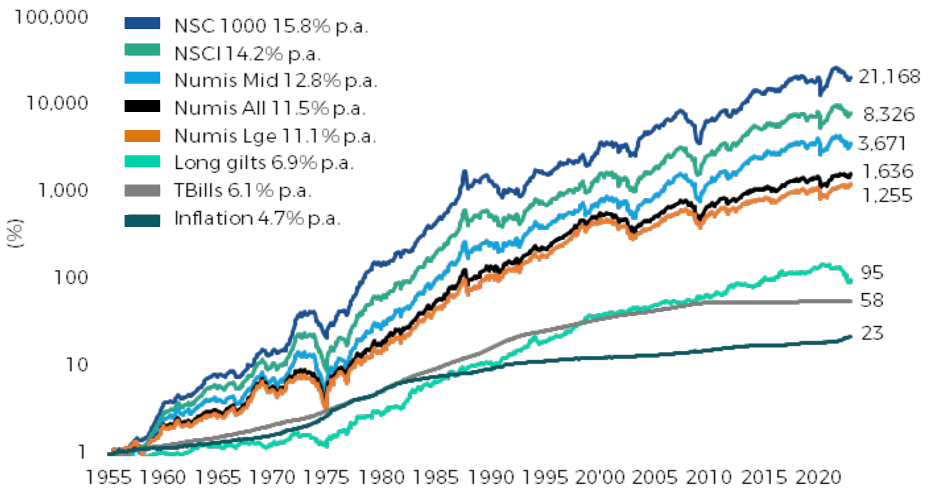
- The largest 80% of UK-quoted companies (known as the Numis Large Cap Index) underperforms the Numis All Share Index on a near-permanent basis
- When the cost of capital rises, or when demand is being actively supressed so it falls below supply large caps have a lesser margin of safety. Being large they find it harder to dodge the recessionary bullets,
- Hence if economic conditions were to become more challenging, the returns on large caps might struggle to keep pace with inflation
- Furthermore, larger quoted companies also carry the risk that they typically operate in a narrow range of sectors, that are largely replicated on other developed market exchanges
- Overall, large weightings in quoted large caps have near-permanent underperformance risks, elevated stock specific risks and narrow sector specific correlation that can become apparent where economic conditions are more testing

Total return of the Numis family of UK stock market indices, 1955-2021



…and from the late 1960's onwards when economic conditions became problematic, their returns even struggled to keep pace with inflation

Source: Numis; Evans and Marsh, Numis Indices 2021 Annual Review; Dimson-Marsh-Staunton DMS Database, 2023.
Past performance is not a guide to future returns.

So QE mixed with groupthink could spell trouble – QE has distorted allocations into crowded passive strategies...

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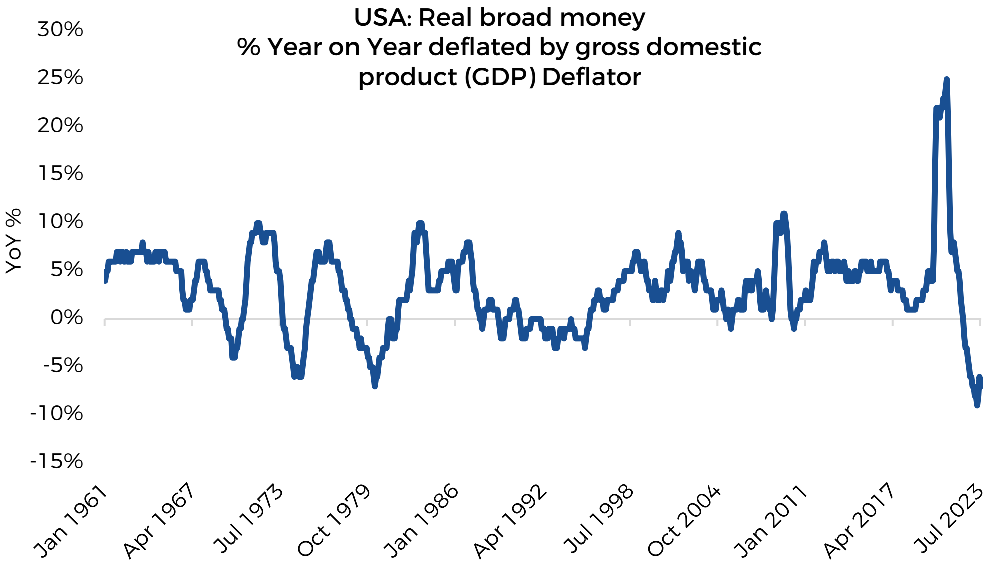
- During the years of QE, low-cost index funds and Exchange Traded Funds (ETF) have delivered excellent long-term returns along with abundant daily liquidity and become a major core part of portfolios
- Passive strategies themselves are reflexive in nature because they allocate the largest proportions of capital to the very largest quoted stocks, and in doing so appear to have driven up megacap valuations well beyond that of other stocks
- In the context of the ongoing passive outperformance trend, collective groupthink may have lulled investors into a false sense of security
- Clearly, no one knows what the future might bring, but we believe it is very relevant that US M2 Real Money Supply is currently falling at the fastest rate since the Great Depression
- If economic conditions were to become more testing, mainstream asset returns might disappoint for many years, especially those dominated by large index stocks, and those standing on elevated valuations
- So if economic conditions were to become more testing in future, what are the kinds of assets that might be favoured?



...whilst groupthink may be seeing investors overlooking known downside risks or the consideration of better alternatives

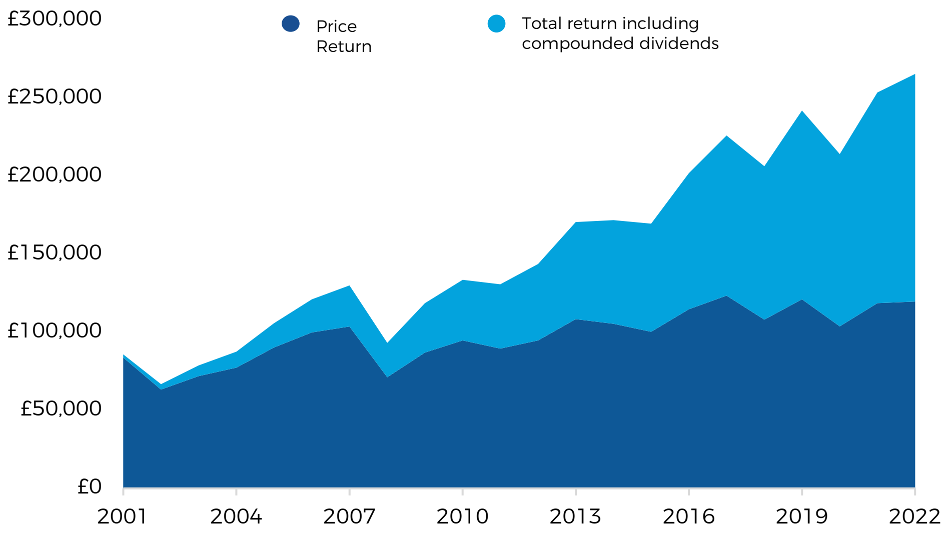
Source: Federal Reserve for Money Data, Bureau for Labour Stats for CPI. Data from 01.01.1961 to 01.07.2023.

Past performance is not a guide to future returns.

Dividend compounding strategies for example, can generate absolute returns even when stock markets don't appreciate much...

- If economic conditions are more testing after globalisation, equity markets may face return headwinds as they move back to past valuation norms and corporate profit margins decline
- Whilst stocks with rapid growth ambitions tend to outperform when stock markets are appreciating well, they can be outpaced when market returns are relatively modest
- Conversely, during testing economic conditions equity income stocks start with a greater margin of safety, and some can use their surplus cashflow to expand into markets vacated by insolvent competitors
- Better still, some can acquire overindebted but overwise viable businesses, debt-free from the receivers often for a nominal sum, and greatly enhance their prospective cashflow
- Specifically, dividend compounding strategies have periods of outperformance that can last for years, and better still the timing of these periods tends to be negatively correlated with the periods of outperformance of ambitious growth stocks
- Even when the stock market indices flatline, equity income strategies can generate attractive rates of return due to dividend compounding

£100k investment in FTSE 100 Index
Price increase vs Dividend Reinvestment



...as dividends can be used to purchase additional equities, potentially at increasingly attractive valuations, enhancing the growth of income further

Source: Bloomberg, from 29.12.2000 to 30.12.2022.

Past performance is not a guide to future returns.

During testing periods, acquiring overindebted insolvent companies that are otherwise viable can turn out to be very lucrative…

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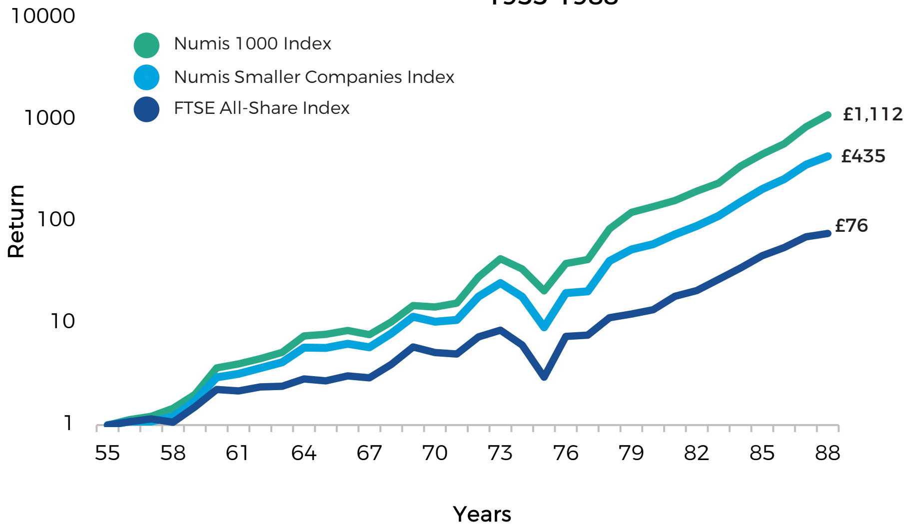
- Economic conditions were very testing in the UK between the 1960's and the late 1980's, and the period was marked by relatively strong returns from the numerous equity income stocks within the FTSE All Share Index
- Even so, despite the weakness of the Sterling exchange rate that favoured stocks with large international operations such as those in the FTSE 100 Index, UK smallcaps outperformed considerably
- Meanwhile, many stocks with large debts failed
- Whilst a low cost acquisitions from the receiver might generate a good uplift in value for an individual largecap, the same uplift is so much more lucrative in the case of a quoted smallcap, and completely transformational for some quoted microcaps
- The bottom line is that counterintuitively the returns on quoted small and microcaps can be surprisingly strong during unsettled economic conditions

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



…with the value of the uplifts being so much more significant for quotedsmall caps, given their more modest market capitalisations

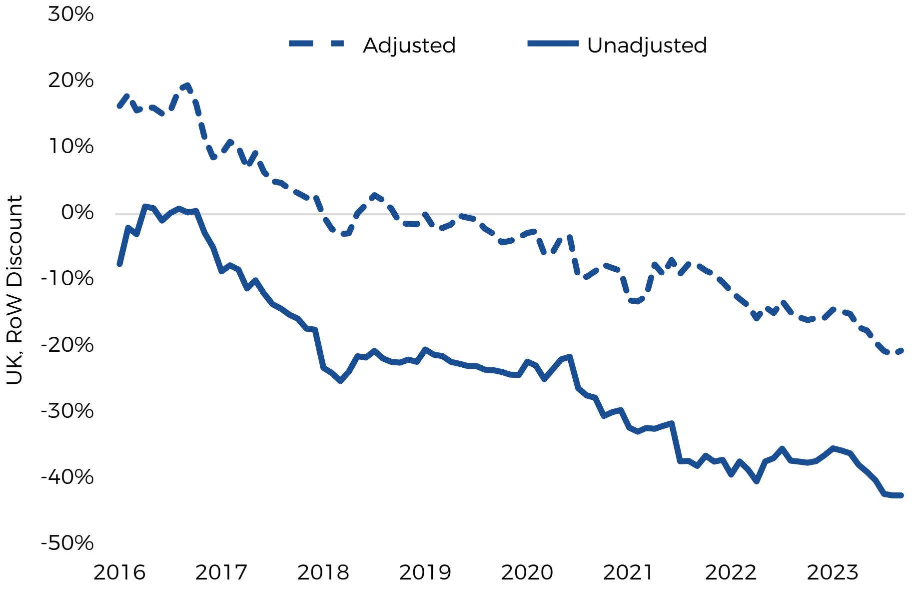
Source: Numis Securities, Elroy Dimson and Paul Marsh of London Business School. [1]Formerly RBS Hoare Govett Smaller Companies Index.

Past performance is not a guide to future returns.

The net effect is that after years of underperformance, the UK investment universe of equity income stocks…

- The valuation of UK mainstream stocks were broadly similar to those of the rest of the world in 2016, but have moved decisively lower subsequently
- Some commentators highlight that the sector mix of the UK mainstream stocks might explain the discount, but even when UK valuations are compared with similar stocks quoted elsewhere, UK stocks still stand on a discount compared with international peers
- Given that economic prospects, may be more testing beyond globalisation, and that most global investors are chronically underweight UK quoted stocks, the subnormal valuation on UK equity stocks appears to offer what may be an attractive entry opportunity
- Explicitly, we believe that compounding dividend strategies, such as equity income, will become much larger proportions of portfolios in future, boosting international capital flows into the UK exchange

UK valuation discount compared to Rest of the World (RoW)



…appears to stand at an incredibly attractive entry point

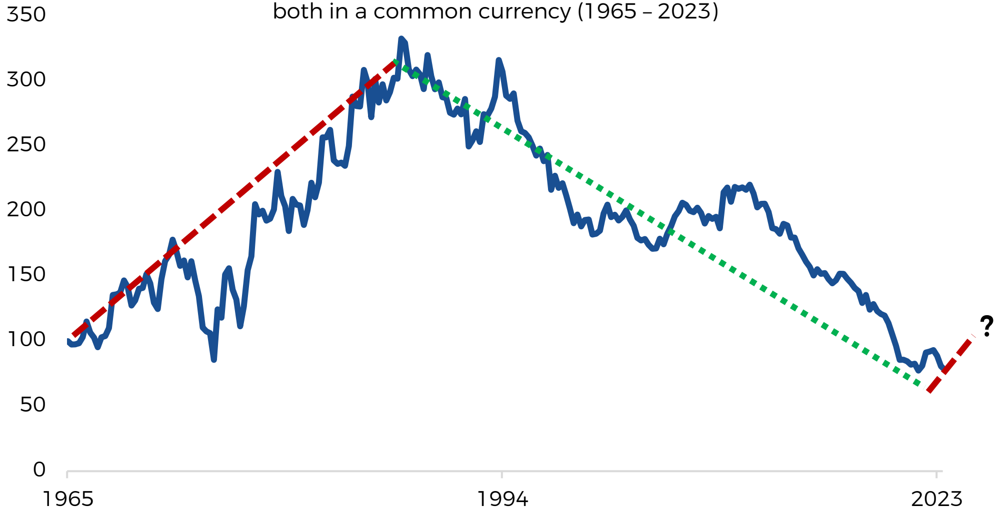
Source: Panmure Gordon, from 18.01.2016 to 18.09.2023.Adjusted valuation removes differences in sector weightings.
Past performance is not a guide to future returns.

Specifically, if returns on international large and megacap holdings were to disappoint…

- After decades of UK equity market underperformance, most local investors have scar tissue regarding the prospects for their remaining weightings
- Interestingly, UK equities look very different from the perspective of international investors
- They offer welcome diversification from markets that deliver return principally via capital gain
- They offer access to numerous equity income stocks, that have higher margins of safety were economic conditions to remain testing
- Their valuations are standing below equivalent stocks quoted on other exchanges, so they may have greater upside potential
- Importantly, because most global investors are so underweight the UK stock market, and because it is starting from what appears to be such an overlooked valuation, there is scope for UK equities to surprise in terms of scale and duration in terms of future returns

We anticipate the outperformance of the UK stock market will surprise in both scale and duration

A chart of the FTSE All-Share Index versus the S&P 500 Index, both in a common currency (1965 – 2023)



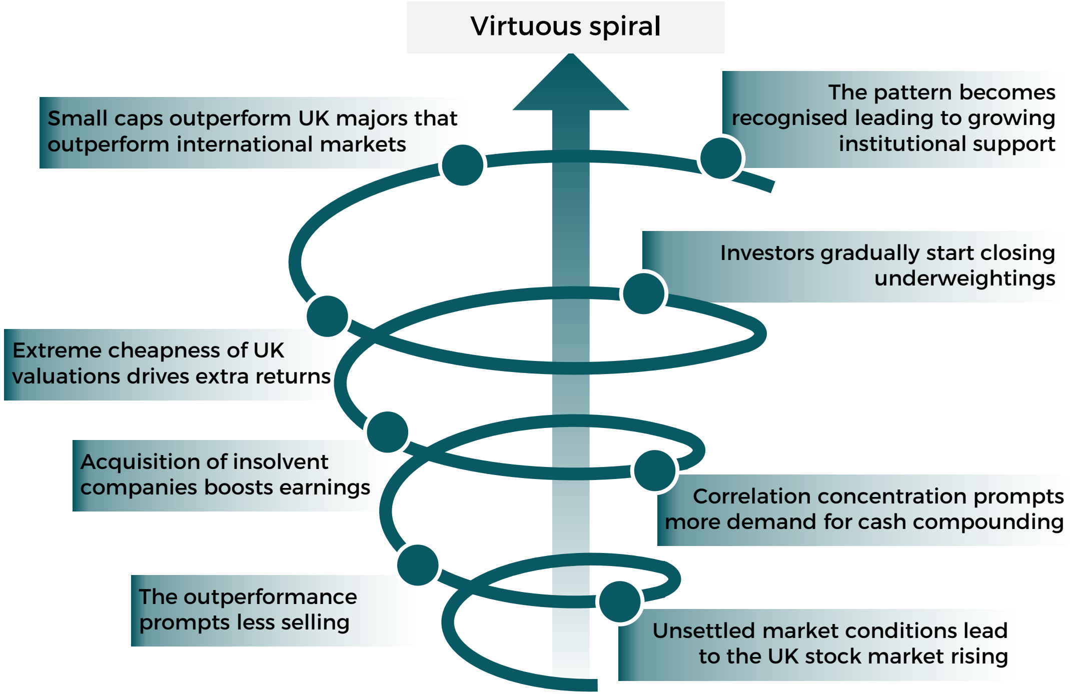
…it could lead to decades of UK stock market outperformance, given that most global investors are currently so chronically underweight

Source: Bloomberg, data from 31.03.1965 to 31.08.2023.

Past performance is not a guide to future returns.

Indeed, there is scope for the UK stock market to enter something of a virtuous spiral…

- After some decades of a vicious spiral within UK equities, few investors recognise that stocks generating surplus cash are about to have disproportionate advantages, let alone that the UK stock market might become a virtuous spiral
- If anything, a step up in international capital allocations to the UK might be self-feeding, as a breakout of the FTSE 100 index on the upside might prompt local Open ended fund redemptions to cease
- That in itself could lead to UK investors reconsidering the fundament advantages of UK investment universe
- Specifically, companies generating surplus cash not only carry lesser risk of insolvency, but some might positively thrive in a challenge economic environment
- In our view, the greatest upside potential lies with UK small and microcap stocks, as they appear to be standing at the most overlooked valuations, and yet have the greatest potential to thrive in challenging economic environments

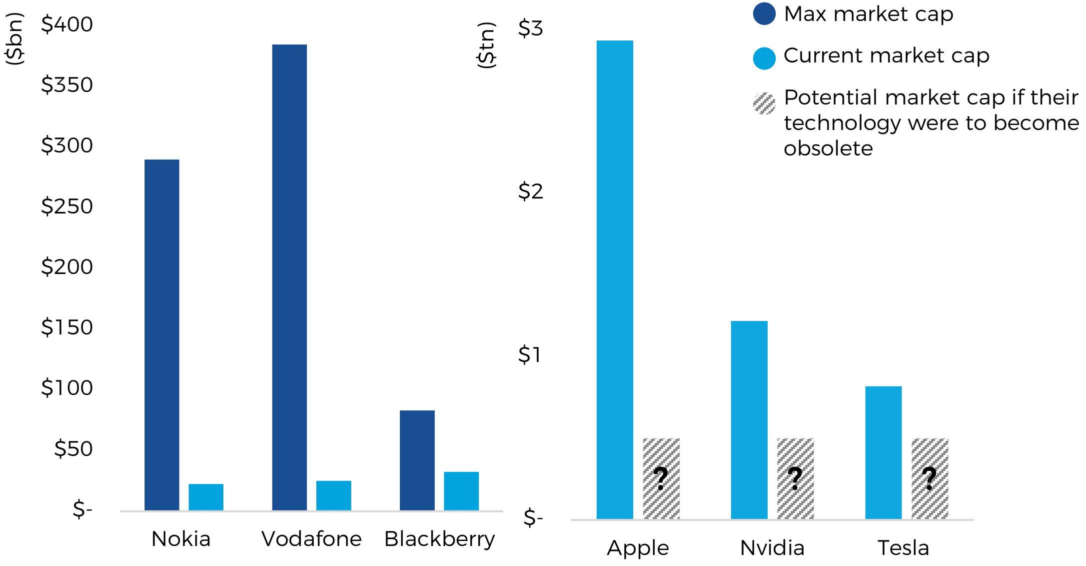


…and, in our view, the greatest upside potential would eventually come through in UK quoted small caps

Furthermore, the strong momentum during globalisation, led some investors to underestimate obsolescence risk

- During globalisation, stock market momentum often became so strong that stocks generating rapid sales and profit growth sometimes rose to impressive market capitalisations, that then left them vulnerable to enormous downside obsolescence risks
- Good examples include Nokia, Vodafone, Blackberry that were capitalised at $246bn, $340bn and $66bn in March 2000, and June 2008 respectively
- On 08 September 2023 these stocks were capitalised at $22.7bn, $24.7bn and $2.7bn respectively
- In this context, it is worth noting that the market capitalisation of Apple was $2786bn, Nvidia was $1126bn and Tesla was $789bn as at 08 September 2023.

Peak market capitalisation of some past high profile technology stocks, compared with their current market capitalisation, along with some high profile stocks currently



…so that some stocks with rapid sales and profit growth becomes vulnerable to deliver hugely disappointing returns

Source: Bloomberg, data correct as at 31.08.2023.

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A FTSE 100 Put Option continues to form part of the portfolio positioning…

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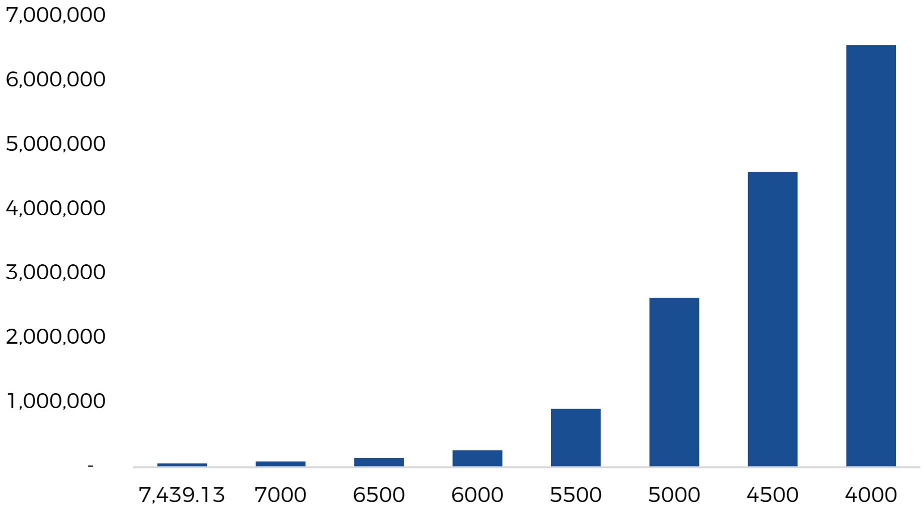
- The trust held a FTSE 100 Put Option that appreciated rapidly when equity markets suffered a severe sell off in March 2020 due to a global pandemic
- Whilst the trust didn't hold a FTSE 100 Put Options Index for the subsequent five quarters, the position was reopened in the third quarter of 2021, with a term of extending to December 2022
- To date, the FTSE 100 Index has been resilient whilst most other mainstream stock market indices have fallen away, in part because it is dominated by capital intensive stocks, where profitability increases by multiples when there are shortages of energy and commodities, or when interest rates rise
- Whilst we anticipate that the UK stock market is well set for a long period of outperformance, at this stage sometimes other factors can lead to asset prices resetting at a lower level, and at a relatively small cost the FTSE100 Put option might add value

Interaction between term and strike price of a FTSE 100 Put Option[1]



…as no one knows that when US bond issuance restarts, whether global asset markets might suffer a period of indigestion

Source: Bloomberg, data correct as at 31.08.2023.

Past performance is not a guide to future returns.

In this context, we are particularly enthusiastic about the potential for the Miton UK MicroCap Trust...

Premier Miton INVESTORS

A vehicle that has the potential to deliver attractive absolute returns, even during inflationary periods
If UK microcaps do become a top performing sector, then a closed-end capital structure in our opinion is likely to become the investment vehicle of choice

Ongoing stock market volumes
Miton UK MicroCap Trust plc's capital structure regularly clears the register of ongoing institutional 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 cleared)

A share price that typically trades closer to the underlying NAV than others
The trusts 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 fees. The current ongoing charge figure (OCF) is 1.72% would be greatly reduced when the trust becomes larger as the management costs are limited to 0.9% for the first £100m of market capitalisation, and 0.8% on anything beyond

...as if UK-quoted microcaps thrive in the coming decades, then as an investment trust, it has the potential to be the vehicle of choice

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 30.04.2023. 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.

Performance

Cumulative performance %	1 year	3 years	Since launch[1]
Miton UK MicroCap Trust NAV	-20.0	-7.1	23.3
Miton UK MicroCap Trust share price	-19.5	1.3	9.2
Numis 1000 Index	-3.9	24.6	54.7
IT UK Smaller Companies sector	-1.1	24.0	39.4

Discrete performance %	31.08.2018 – 31.08.2019	31.08.2019 – 31.08.2020	31.08.2020 – 31.08.2021	31.08.2021 - 31.08.2022	31.08.2022 – 31.08.2023
Miton UK MicroCap Trust NAV	-28.3	26.0	58.3	-26.3	-20.0
Miton UK MicroCap Trust share price	-29.0	15.0	68.8	-25.4	19.5
Numis 1000 Index	-6.2	-4.3	47.2	-14.1	-3.9
IT UK Smaller Companies sector	-0.4	-11.2	27.6	-2.5	-1.1

Source: Morningstar, as at 31.08.2023, net income reinvested, bid to bid basis. [1]Trust launched on 30.04.2015.

Past performance is not a guide to future returns.

Conclusions

- Over the two years of heavy UK OEIC redemptions, the share prices of Miton UK Microcap Trust portfolio holdings appear even more overlooked than previously
- In the past, the returns of the Miton UK MicroCap Trust has had periods when it has outperformed the of the mainstream indices considerably
- After fifteen years of Quantitative easing (QE) distorting market prices and portfolio allocations, market trends may be set to change dramatically
- Explicitly, stock markets that deliver return via the compounding of equity income may become a much larger proportion of portfolios in the future, boosting capital flows into the UK exchange.
- Within UK-quoted microcaps, the transformation may be even more potent, as capital is progressively invested in future. It is hard to understate the magnitude of this change after three decades when institutional investors have been near permanent sellers of UK small and microcap strategies

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.

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For more information:

premiermiton.com
0333 456 4560

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