

When the weather heats up, so can inflation



Unusual early summer heat may be just the start, with El Niño expected to return and bring more extreme weather globally. Emma Mogford, Fund Manager of the Premier Miton Monthly Income Fund explains why this matters for investors and how shifting weather patterns can influence inflation, energy demand and market opportunities.

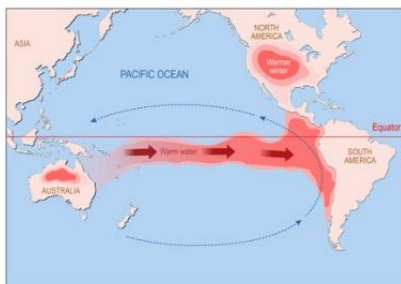
For information purposes only. Any views and opinions expressed here are those of the author at the time of writing and can change; they may not represent the views of Premier Miton and should not be taken as statements of fact, nor should they be relied upon for making investment decisions.

Investing involves risk. Premier Miton is unable to provide investment, tax or financial planning advice. We recommend that you discuss any investment decisions with a financial adviser.

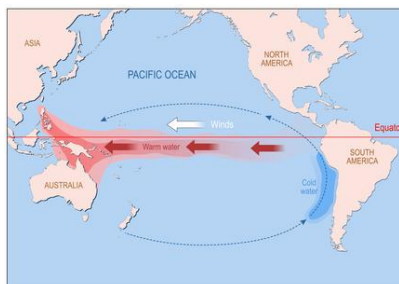
The UK has already seen unusually high temperatures this spring. I was at Kew Gardens with the family on bank holiday Monday when a new record May temperature of 34.8oC was set (which was then beaten the day after at 35.1oC). However, it may be about to get hotter! Climate forecasters are increasingly confident that an El Niño weather pattern could develop this summer, with around an 80% probability of forming before September, and a high likelihood it persists into the year end.

El Niño is a naturally occurring climate event that happens every few years, when warmer ocean waters in the Pacific Ocean disrupt global weather systems. The effects can be wide-ranging, typically bringing higher temperatures globally, alongside both droughts in some regions and heavier rainfall in others.

El Nino



Normal



Why this matters for investors

While this may appear to be a weather-related issue, El Niño has historically had meaningful economic consequences:

- **Pressure on food prices**
Changes in rainfall and temperature can disrupt agricultural production, particularly in key growing regions across Asia, Latin America and Africa. This can reduce crop yields and tighten supply, which may push global food prices higher.

- **Increased energy demand**
Hotter conditions often lead to greater demand for electricity especially for air conditioning in heavily populated regions such as Asia. This can support demand for power generation and fuels, particularly where renewable supply is limited.
- **Inflationary implications**
Higher food and energy costs can feed through into broader inflation. In turn, this can influence consumer spending, corporate profit margins and the path of interest rates, all of which are key drivers of market performance.
- **Uneven global impact**
El Niño does not affect all regions in the same way. Some economies may benefit from increased rainfall, while others face drought or heat stress. This creates divergence across emerging markets, which are those countries with less developed financial markets, but also has implications for global companies and UK-listed businesses with international exposure.

Key areas to watch

As the outlook becomes clearer, several important questions are likely to shape market sentiment:

- Will reduced crop yields drive food inflation meaningfully higher?
- Could an increase in demand for cooling boost energy markets, particularly gas and coal?
- How might extreme weather affect supply chains and production of key materials such as metals?
- What are the implications for sectors like insurance, where claims trends can shift with weather patterns?

At this stage, it is not driving large portfolio changes for us, but it is an important risk factor to monitor. We have been adding to the fund's energy exposure, focusing on companies that can generate steady cashflows in different market conditions, and could benefit if energy demand rises.

At the same time, we remain cautious on the outlook for consumers. If inflationary pressures persist, this could weigh on spending. However, opportunities still exist where the price of company shares already reflect a challenging environment.

Emma Mogford
Fund Manager

Important Information

This is a marketing communication.

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.

Reference to any investment should not be considered advice or an investment recommendation.

All data is sourced to Premier Miton unless otherwise stated.

This document and all of the information contained in it, including without limitation all text, data, graphs, charts, images (collectively, the "Information") is the property of Premier Fund Managers Limited and/or Premier Portfolio Managers Limited ("Premier Miton") or any third party involved in providing or compiling any Information (collectively, the "Data Providers") and is provided for informational purposes only. The Information may not be modified, reverse-engineered, manipulated, reproduced or distributed in whole or in part without prior written permission from Premier Miton. All rights in the Information are reserved by Premier Miton and/or the Data Providers.

Marketing communication issued by Premier Miton Investors. Premier Portfolio Managers Limited is registered in England no. 01235867. Premier Fund Managers Limited is registered in England no. 02274227. Both companies are authorised and regulated by the Financial Conduct Authority and are members of the 'Premier Miton Investors' marketing group and subsidiaries of Premier Miton Group plc (registered in England no. 06306664). Registered office: Paternoster House, 65 St. Paul's Churchyard, London EC4M 8AB.

019237/090626