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PREMIER MITON ORIGINAL THINKING

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IN BRIEF

- An evolving approach to global equity investing.
- Tactical allocations designed to capture a broad opportunity set.
- A diversified portfolio built through active stock selection.

August 2026

This is the second of a new monthly update note I will be producing on the Premier Miton Diversified fund range, aimed at keeping you in touch with changes that are taking place within the funds, at asset allocation level and within the asset classes. I will also discuss our views on the macroeconomic background and financial markets, how they relate to the funds and what changes may be coming down the track. Furthermore, and importantly, I will cover fund performance and its drivers when appropriate.

The Diversified Growth funds' equity portfolio; background

Last month I wrote about the core investment approach we apply to the Diversified Growth funds' equity portfolio, having made modifications over the last 12 months or so.

I covered the broad approach, the regional and sectoral exposure compared to the world market, the types of leading companies we look for and the portfolio characteristics. In essence, how the portfolio is managed and what the portfolio looks like from a high level.

In this note I'd like to drill a little deeper into two elements.

Regional allocations

Historically we have made allocations to global ex-UK equities and UK equities within the overall equity framework. That allowed us to build a portfolio of UK companies across different sectors and, importantly, market capitalisations to get a good spread of risk and return from the asset class. The weighting to the UK varied over time depending on the attractions of investing there.

It's fair to say that the UK equity market has become less popular with international and domestic investors alike. You will have often read about how UK pension funds have reduced their exposure over the years and how international investors have preferred the US, in particular. The UK market has suffered in performance terms and mid and small caps have become even less popular within that. The issue was exacerbated by the Brexit referendum 10 years ago and subsequently a lack of support for UK capital markets from the Government and other authorities has made the market more marginal, pushing even more UK companies to move or list abroad.

However, that didn't mean the UK couldn't be, or remain, attractive. We therefore retained a good allocation to the market. In fact, in the spring of 2024, just over 2 years ago, around 40-45% of the funds' equity allocation was in the UK. Back then, there were a host of reasons to be positive on the UK, such as; inflation looked under control, interest rate policy seemed favourable, economic growth was improving, consumer and business confidence were positive, equity valuations were cheap relative to history and global stock markets and a general election was coming up which should have provided some political stability with a new Government talking about middle-of-the-road economic policy. We were even seeing corporate activity from private equity and international companies buying UK PLC.

One by one, those positives all fell away (with the probable exception of valuation) over the following 18 to 24 months, as Government domestic rhetoric and fiscal policy, ably assisted by US trade tariffs and wars, left the UK looking decidedly less attractive by global comparison.

As a result of the longer-term malaise over the UK we had already been increasing large cap, versus mid and small cap, exposure and as the top-down outlook worsened over the last 2 years we have been cutting back the UK allocation significantly. This was done in various stages, usually around events such as Government budget speeches. The allocation now sits at around 10% but is still significantly overweight relative to the global market.

Premier Miton Diversified Growth Fund

Region %	Fund	Global equities	Difference
Africa	0.3	0.3	0.0
Asia (ex China, India, Japan)	8.2	6.6	+1.6
China	5.2	4.3	+1.0
Europe	21.6	11.6	+10.1
India	0.5	1.5	-1.0
Japan	2.6	4.6	-2.0
Latin America	1.5	0.7	+0.8
Middle East	0.0	0.8	-0.8
North America	50.6	65.6	-14.9
Oceania	0.0	1.3	-1.3
UK	9.4	2.9	+6.5

Source: Premier Miton / Bloomberg. Data as at 30.06.2026. Global equities: Bloomberg World Large & Mid Cap Index.

As a result of this move and the evolution of the global equity investment approach, we have integrated the UK into the global ex-UK portfolio, to simplify the process and have one equity portfolio, adopting the same approach to stock selection. Of course, we will always show the UK allocation and if the outlook changes there is nothing to stop us increasing the UK exposure again. This also allows us to monitor the sector and factor exposures (such as market cap) more precisely.

We see this as a natural evolution of the investment process and an outcome of the reducing influence of the UK equities within the funds overall.

Managing different exposures and allocations within equities.

In any actively managed fund in any asset class, there will always be exposures or risks that are not being taken, as well as those that are being taken, these are separate from the portfolio hedges. This is something we have always been aware of and, at times, have sought to mitigate. The most descriptive examples of when we have done so are; taking cyclical exposure to US equities in the recovery from Covid and exposure to the US energy sector when the oil price started to move. We have typically used derivatives for this in the past. We treat these as tactical allocations which allow us to take a position without selling out of companies we like for the long term within the equity portfolio, which may be at a time we don't want to, and they also have cost implications.

Furthermore, the development of markets over the years has led to sectors, themes and factors driving prices over the short and medium term in a very significant way. There are many examples of this, including; market cap, growth versus value, technology, AI, defence, reshoring, hyperscalers, data centre beneficiaries, energy, infrastructure, Mag 7 and loads I've forgotten. This has been exacerbated by investment banks responding by creating baskets of stocks that provide immediate, liquid and diversified exposure to these themes.

Furthermore, retail buying is increasingly having a greater impact. As a result, markets are moving quickly, not always allowing the time to undertake the full, detailed research we would like to conduct into individual companies.

Over the last 12 months, we have been exploring how to capture some of these trends within the funds. As we have worked through this, we have considered how to gain diversified exposure, should it be considered appropriate, to specialist areas where we have limited expertise, by doing so using vehicles that provide that. We have now set up a structure that allows us to do so, and you will see it on the factsheets as "Tactical equity".

Premier Miton Diversified Growth Fund

Sector - equities (%)	
Information Technology	31.1
Financials	15.6
Tactical Equity	10.2
Industrials	8.5
Health Care	8.9
Materials	7.5
Communication Services	4.7
Energy	5.1
Consumer Discretionary	5.1
Consumer Staples	2.3
Utilities	1.2

Source: Premier Miton / Bloomberg. Data as at 31.07.2026.

The allocation will be part of the equity portfolio and will vary over time as opportunities come and go. Some will be seen as shorter term and some may be longer-term holdings. The Tactical equity holdings will be diversified and each one, in itself, will be diversified.

Perhaps examples of positions are the best way of detailing this. One of the positions is to the oil services sector, which we see as a likely beneficiary of elevated oil prices. We have used the Vaneck Oil Services ETF to do this, its largest holdings are SLB and Baker Hughes.

Another is biotechnology, where we use the iShares Biotechnology ETF. Stock selection in this industry is fraught with difficulty and requires real specialist knowledge, so diversified exposure is desirable. The sector has performed well for a number of reasons, including; M&A activity is on the rise, the US regulatory backdrop is thought to be improving, there has been good clinical trial news, it has attractive growth prospects, and it is seen as a beneficiary from AI. This position is tactical, but I could see it becoming structural.

There is also a basket of stocks that are expected to benefit from rising metal and mineral demand to meet green energy needs, and one that should benefit from US reshoring.

The holdings in the Tactical equity allocation will be actively managed, and we will comment on them in our various communications.

Change or evolution?

In this note and the one in July I have described how we manage the equity allocation in the funds. It does amount to a change in process compared to a year or so ago, but we see it very much as an evolution, one we have been working on for some time. Markets change and evolve and we should do so as well. Change can take time to come to fruition, but we believe we are on the right path.

Neil Birrell
Lead Fund Manager

Risks

The value of stock market investments will fluctuate, which will cause fund prices to fall as well as rise and investors may not get back the original amount invested.

Forecasts are not reliable indicators of the future.

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