LWM Consultants Ltd

Meeting the Fund Manager

Premier Income Funds

Premier Independent Asset Managers were set up over 20 years ago and built up a strong reputation in delivering multi asset funds. In recent years they have started to deliver a wider range of funds and in our latest meeting we were introduced to Chris White who is the Senior Investment Manager for the Premier Income Funds. This is a range of funds which includes an Income Fund, a Monthly Income Fund and UK Alpha Income Fund.

Typical of many Premier Fund Managers Chris came from a larger asset manager to this role at Premier. He had previously managed funds at Threadneedle where he was the Director of UK Income Funds. One of the key drivers for change was the ability to put his stamp on the way the funds were managed. By this he means within a small environment he almost operates as a separate franchise within the Premier brand. Chris comes across as a contrarian investor and will go overweight where his conviction is strong enough to warrant this.

Of course when you hear that someone is almost operating a separate franchise you want to make sure that there is a safety mechanism in place. Clearly Premier with over 20 years' experience have robust risk and compliance controls in place which provide a layer of protection but also Chris although responsible for the fund and its management has a pool of people within Premier who he can turn to when making investment decisions.

To some extent many fund managers cut their teeth in larger environments but often want the freedom a smaller asset manager can offer and certainly that is the view I get from Chris. It is worth adding that the three funds have assets of close to half a billion pounds which means they are sizable funds.

Overview

Chris is a contrarian investor; he can see many income funds easing towards the crowded defensive market because it is safe but he feels with that play there is no conviction investing. His feeling is that if good news comes from Europe then the markets could move very quickly. So his portfolio is positioned to take advantage of this potential upsurge.

He has held stocks like Imperial Tobacco and BAT but he has sold these down as these have become expensive stocks. So the question is - where is the money invested? I wanted to see if his contrarian stand translated to the stocks he held.

We looked at two stocks – the first was Dairy Crest. I have to admit I have always seen Dairy Crest as a diary business and the middle man between the supermarkets and the farmers. But they also have a branded food business. The dairy business has a low profit margin but it can be used across the business to an advantage.

The branded side is interesting with brands like Cathedral City where sales have doubled in 5 years and Clover and Utterly Butterly which have seen sales increase by over 40%. Within this part of the business there is a great deal of product innovation which will help to continue to see this develop going forward.

Six months ago the business was unloved – the reason was debt, pension fund deficit and high dividend yield. However, they have recently sold a French business which has cleared the debt and enabled a further payment into the pension fund. So you now have a clean balance sheet and a healthy dividend. In Chris' view this makes the business attractive as it can deliver irrespective of the economy and has limited downside risk.

We then looked at the Daily Mail – again my view is that this is a newspaper aimed really at Middle England. Paper distribution is falling and therefore it doesn't feel like a business to invest in. However, the paper only makes up 30% of its business, regional papers make up 5% and the rest is through other businesses like Euromoney, Risk Solutions and Zoopla. They has have growing exposure globally through the Mail on Line which is looking to breakeven this year, it is now the biggest online paper.

The yield is healthy at 4% and the only potential downside is that it is one of the only companies in the UK which has non-voting shares - the voting shares are still held by the family trust. However, Chris didn't feel this would impact on returns although he felt that there were moves that could see the shares becoming voting shares in the future.

We briefly talked about the likes of Shell and how they haven't cut dividends since World War 2 and in fact they have increased. The business has a low gearing ratio at around 7% and it is in a really good position.

Chris' approach to avoid the more defensive stocks means he has wider diversification in terms of investing and therefore this lessens risk. If he likes a stock then he will go up to 3% overweight to the sector. So currently he is overweight in the likes of Vodafone, Shell and Glaxo.

To summarise the funds Chris has a conviction to seek out the best ideas and over the medium term (3 – 5 years) is looking to beat cash, the all share index and his pier group.

Conclusion

Although this does not form part of our portfolio it will be a fund that we monitor. Clearly Chris is a talented fund manager with a care to deliver above average returns for investors but not necessarily by following the crowd.

The source of information in this note has been provided by Premier and is correct to the end of July 2012. These are notes from meeting the fund manager and should not be seen as a recommendation to purchase this fund. Any reference to shares is not a recommendation to buy or sell. Should you wish to make a decision based on these notes we cannot take responsibility for this and you should carry out your own research before making a decision. You should also note that past performance is not a reliable indicator of future returns and the value of your investments can fall as well as rise.