

Miton Group PLC

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The investment world is changing; think small, think long-term, says top fund manager

The world of investing has reached a turning point. The credit boom of the last 25 years has come to an end, requiring a completely new approach from the guardians of our long-term savings.

Not my assertion, but the distilled thinking of Gervais Williams, '2014 What Investment fund manager of the year' and chief executive of AIM-listed Miton Group (LON:MGR).

His thesis is that the past two-and-a-half decades have been characterised by easy money and rising asset prices. This in turn has favoured the speculative above the prudent.

Meanwhile, the credit boom has gone on for so long it is viewed as normal.

But the tide is turning, Williams told Proactive. "We are going to move away from artificial market moves on the back of quantitative easing.

"It is going to be about real companies making real money generating real cash."

Williams's investing principles and those that echo through his Miton funds can be found expounded in his 2011 book 'Slow Finance' and also in his latest tome, the Future is Small.

This advocates a return to local investment and organic growth; eschews speculation, and warns against diverting investment capital towards 'bubble markets' such as Eastern Europe and Asia.

"If you look at emerging [markets] there are a lot of companies that have provided poor returns because a lot of the risks weren't recognised at the time [of investing]," Williams explains.

"We are going to have to get away from benchmarks and look at investing in individual stocks that have the potential to go up irrespective of the wider market.

"We need to get away from this focus on high betas; trying to guess when the markets are going to go up and guess when they are going down.

"Ultimately you are going to make money from companies that pay and grow a dividend over the long term."

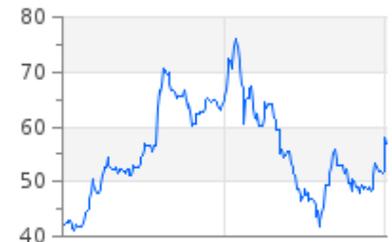
So, for Williams at least, who manages the Diverse Income Trust, prime investments are the UK micro and small-cap dividend payers.

He picks out A&J Mucklow as a prime example of what he likes in an investment. It owns industrial property in West

Price: 57p

Market Cap: £98.4M

1 Year Share Price Graph



March 2018 September 2018 March 2019

Share Information

Code: MGR

Listing: AIM

52 week High Low
76.20p 40.94p

Sector: General Financials

Website:

Company Synopsis:

We are a UK asset management group that believes in the value of genuinely active management. We offer high conviction, actively managed equity strategies that seek to deliver strong long-term investment performance. We offer multi-asset strategies that seek to deliver a predictable outcome. Our fund managers have the scope to perform on an unconstrained basis and follow strong investment processes.

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Midlands, an area undergoing a renaissance at the moment thanks to the stellar success of Jaguar Land Rover.

However, Mucklow's record pre-dates this revival, for over the past 52 years it has paid a dividend that has grown on average more than 10% each year.

"The compounding of income will overwhelm any zigzags in the market," Williams points out.

His firm Miton has been set up follow Williams investment principles. It has 14 funds and CEO has recruited some top talent to help implement his strategy.

It recently acquired Darwin Investment Management, bringing the experienced David Jane and his team of Anthony Rayner and Henna Hemnani to run the £740mln Miton Special Situations and £181mln Strategic portfolios.

And it has also brought on board George Godber and Georgina Hamilton, who run the CF Miton UK Value Opportunities Fund.

Followers of the group will know it hasn't all been plain sailing over the last 12 months.

The influential Bill Mott, the veteran investor famous for refusing to join the hysteria of the dotcom boom, is retiring at the end of the year, while it also lost a £325mln investment mandate.

A £10mln loss in the first half of the year was due to write-downs from the sale of its Liverpool-based Miton Capital Partners (MCP), though on an underlying basis pre-tax profit was up almost 90% at £3.4mln. Broker Peel Hunt is predicting the group will make £5.2mln this year.

Assets under management were £2.6bn, down from £3.1bn in December, which reflected the decision to offload MCP.

"There is nothing wrong with the business – it just wasn't aligned with our 'beyond the credit boom' theme," said Williams.

Miton is obviously a work in progress, but has some influential backers in BlackRock, Ruffer and F&C, who obviously see the potential of the business as it grows funds back to £3bn and then beyond.

Williams admits: "Not everything has gone in our favour, but we have been steering fantastically confidently in the direction we think we should be going."

The Investment World According to Williams

- 25-year credit boom is coming to an end
- So investors will have to work harder
- Local markets a key source of opportunities
- Avoid speculative emerging economies
- Dividend-paying small-caps most attractive
- Top pick: A&J Mucklow

Gervais Williams' new book, *The Future is Small*, is available from November 10 through Harriman House.

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