

A best ideas, global equity portfolio

Jake Robbins, Fund Manager: Premier Global Alpha Growth Fund

One of the attractions of global equities is the huge size of the investment universe, but this brings its own problems. Fund manager Jake Robbins is very particular about the type of company he wants to buy, seeking to incorporate quality, valuation and growth characteristics into the stock selection criteria.

The investment team screen and score the broad investment universe against these three factors to isolate those companies that best meet these three criteria. For quality, the search is for a company with superior and improving returns, balance sheet strength and higher capital returns. For valuation, the team considers various measures including price to earnings ratio, price to book value ratio or dividend yield, to try and find those companies with more attractive valuations than their peers. We also seek out those companies with a consistent track record of beating market expectations.

This brings the broader universe of around 5,000 companies to around 500 of the potentially most suitable investments. Further research and analysis, still based on the three factors of quality, valuation and growth, narrows this down to a focused portfolio of about 50 companies that display these characteristics most strongly. We believe it is the combination of these characteristics that helps deliver consistent outperformance over time.

Nevertheless, the shape of the portfolio will change over time. At the moment, for example, it is hard to buy businesses that score highly on quality at reasonable valuations. As such, the fund has rotated in to more value names. This has coincided with the global economy picking up. The investment team now believe that the growth in cyclical names is becoming more attractive. In this way, the macroeconomic environment feeds through into the portfolio.

Equally, companies do not necessarily have to score highly on all three measures. For example, Visa scores low on valuation metrics, but very highly on quality and growth metrics, which means the team believes it is worth paying a little more. It is the same type of valuation that an investor would pay for a consumer staples company, but the potential growth is viewed as higher. In contrast, global banks are typically unlikely to score very well on quality metrics, but they can be considered good value.

In the past year, markets have been led higher by names such as Amazon or Facebook. The Premier Global Alpha Growth Fund has not tended to own that type of company based on the selection criteria. However the fund has and does include companies that make the components that go into technology devices, or are otherwise involved in the value chain. This way, the investment team see the opportunity for the fund to capture growth, but to pay less for it.

The portfolio is always designed to be diversified, for example across stocks, markets and sectors, but this will also change over time. A few years ago, the fund was overweight in the US, when growth was doing well and there were a lot of technology companies with attractive growth prospects. Over the past few years, Europe, Japan and South East Asia have become more favoured, while the US and quality names have tended to become more expensive, whilst value companies have started to see stronger growth in earnings. These trends have shaped the investment team's results from the screening process and their further analysis, and ultimately the current portfolio.



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A free, English language copy of the fund's Prospectus, Key Investor Information Documents and Supplementary Information Documents are available on the Premier website. All data sourced to Premier Asset Management unless otherwise stated. For your protection, telephone calls are recorded and monitored for quality assurance purposes.

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