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MITON GROUP PLC

Acquisition of PSigma Asset Management Holdings Limited for up to £13m, Placing and Trading Update

Miton Group plc, the AIM quoted fund management group, today announces the acquisition of the entire issued share capital of PSigma Asset Management Holdings Limited, a placing of Ordinary Shares and a trading update.

Acquisition of PSigma Asset Management

The Acquisition of PSigma Asset Management Holdings Limited from Punter Southall Group Limited is expected to complete on 3 July 2013, bringing together two profitable businesses.

- PSigma's total assets under management were £750m on 30 June 2013 with UK Income mandates representing some 91%.
- The PSigma franchise is built upon Bill Mott's and Ian Chimes' success in UK Income Funds.
- The investment style of both fund management teams is complementary. The role of Bill Mott and his team will be unchanged ensuring continuity for PSigma's clients.
- Ian Chimes will head up Miton's enlarged UK sales and marketing operation.
- The Acquisition is expected to be significantly earnings enhancing in 2014.
- The consideration will be a mixture of cash and ordinary shares in Miton and will be between £6.75m and £13m dependent upon the scale of PSigma's assets under management retained in two years' time.
- The initial cash consideration of £5.25m payable upon the date of completion of the Acquisition will be funded from Miton's internal cash balances.
- The Financial Conduct Authority has approved the change of control.

Placing

- A Placing (conditional on Admission) of 7.47m new Ordinary Shares at 31 pence raising £2.3m in order to maintain a strong cash position.

Trading update

In the first half of the year, Miton Group plc's assets under management increased by £217m to £2,003m (an increase of 12%) as at 30 June 2013.

- Two new funds have been launched attracting £40m in their first two months. In addition, Miton was appointed as manager to the £82m Henderson Fledgling Trust plc now renamed the Miton Income Opportunities Trust plc.
- Group cash balances as at 30 June 2013 have increased to £12.4m after the payment of the dividend, bonuses and the purchase of Miton shares for the EBT.
- Miton's current trading is in line with expectations, with the planned scale up of resources accelerating the trajectory of the business.

Ian Dighé, Executive Chairman of Miton Group plc said: "Bringing Bill Mott and his team together with Miton is a significant step forward to the benefit of our joint client base, particularly in the UK Equity Income sector. Both businesses have distinctive and forward-looking investment strategies. With combined assets under management of £2.8bn, we will have an even stronger platform to accelerate the growth of our business."

Ian Chimes, Managing Director of PSigma Asset Management said: "The whole team at PSigma is excited about the opportunity to grow our assets in the future in combination with Miton. We bring distinctive single strategy funds and our particular expertise in equity income investing, which will increase the breadth and depth of the combined product range, benefitting both current and prospective clients. Both companies have a complementary culture, investment style and product fit, with minimal overlap."

Jonathan Punter, Group Chief Executive of Punter Southall Group said: "We regard Miton as being the ideal partner for PSigma for the future, with the capability to take it on to the next stage. PSigma has been a successful part of our business and it's our belief that together the two entities will enjoy even greater success."

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MITON GROUP PLC

Acquisition of PSigma Asset Management Holdings Limited for up to £13m, Placing and Trading Update

Introduction

Miton Group plc (“Miton”, the “Group” or the “Company”), the AIM quoted fund management group, today announces the acquisition of the entire issued share capital of PSigma Asset Management Holdings Limited (“PSigma”) (the “Acquisition”), a placing of ordinary shares in the share capital of the Company (“Ordinary Shares”) and an update on current trading.

PSigma Asset Management Holdings Limited is a wholly owned subsidiary of Punter Southall Group Limited. PSigma Asset Management Holdings Limited wholly owns two regulated subsidiaries: PSigma Unit Trust Managers Limited and PSigma Asset Management Limited.

Acquisition of PSigma

The Acquisition of PSigma from Punter Southall Group Limited is expected to complete on 3 July 2013, bringing together two profitable businesses.

PSigma is a London based fund management group with a particularly strong reputation for UK equity income investing with assets under management of £750m as at 30 June 2013. The initial consideration of £6.75m is payable on completion in a mixture of cash and Ordinary Shares. The maximum consideration of £13m becomes payable if PSigma’s assets under management are greater than £700m on 30 June 2015.

PSigma had earned net revenue of £4.1m and profit before tax of £1.1m which included £0.6m of exceptional expenses for the year ended 31 December 2012.

The Acquisition is expected to be significantly earnings enhancing in 2014 excluding exceptional items arising from transition and transaction costs.

Benefits of the Acquisition

The Acquisition significantly increases the level of assets under management by the Group and following the Acquisition equity funds will comprise 40 per cent of the enlarged Group’s total assets under management.

Table 1: Analysis of pro forma combined assets under management (AUM)

AUM 30 June 2013	Miton £m		PSigma £m	Total £m	
Multi Asset	1,644	82%		1,644	60%
Equity	359	18%	750	1,109	40%
Total	2,003	100%	750	2,753	100%

The proportion of total group assets under management represented by equity funds has been increasing recently given their recent good performance and strong growth. The Miton UK equity funds tend to have a multi cap focus whereas the funds managed by PSigma are more large cap focussed.

The Company will support Bill Mott and his team in managing the funds around his “inflection point” thematic investing style. The implementation of the Acquisition will have little impact on investors in the funds managed by PSigma.

Integration plans

Miton’s London fund management team will move into PSigma’s existing office shortly after Completion. The newly combined London investment team will move to a new London office around the end of the year.

Graham Hooper will oversee the PSigma client integration programme while continuing to focus on our platform strategies and developing the Group’s European and International distribution.

A phased re-branding of PSigma’s funds to the Miton brand will take place in due course to ensure clarity and consistency in the market place.

Summary Terms of the Acquisition and Consideration Structure

The initial consideration

The initial consideration of £6.75m payable to Punter Southall Group Limited (PSG) comprises £5.25m in cash plus £1.5m of Ordinary Shares (the “Initial Consideration Shares”) to be issued at 31p per share (the “Placing Price”). The Initial Consideration Shares received by PSG will be transferred to Ian Chimes, Bill Mott and the rest of the team in lieu of shares and equity participations that they have in PSG’s equity. The Initial Consideration Shares will be subject to a lock in until June 2015.

Deferred consideration

Deferred consideration will be paid in two tranches and in aggregate will amount to no more than £6.25m.

The Tranche 1 deferred consideration will be calculated as 0.8333 per cent. of PSigma's assets under management in excess of £400m capped at a maximum of £2.5m. This deferred consideration will be satisfied by the issue of new Ordinary Shares at the Placing Price. The Tranche 1 deferred consideration will be calculated by reference to the quantum of PSigma's assets under management as at 30 June 2014, save that if PSigma's assets under management are below £400m at 30 June 2014 the deferred consideration reference date will become 30 June 2015. Any new Ordinary Shares issued in respect of deferred consideration will be subject to a lock in for 24 months after these Ordinary Shares have been admitted to trading on AIM.

The Tranche 2 deferred consideration will be calculated as 1.25 per cent. of PSigma's assets under management in excess of £400m capped at a maximum of £3.75m. Two-thirds of this consideration will be satisfied in cash with the balance satisfied by the issue of new Ordinary Shares at the Placing Price. The Tranche 2 deferred consideration will be calculated by reference to the quantum of PSigma's assets under management as at 30 June 2015. Any new Ordinary Shares issued in respect of Tranche 2 deferred consideration will be subject to a lock in for 12 months after these Ordinary Shares have been admitted to trading on AIM.

The Placing

On behalf of the Company, Peel Hunt LLP ("Peel Hunt") has conditionally raised approximately £2.3 million (before expenses) by the issue of 7,470,000 Ordinary Shares (the "Placing Shares"). The Placing Shares represent nearly 5 per cent. of the issued share capital of the Company as at the date hereof, which is within the existing authorities to allot shares free of pre-emption rights. The Placing is underwritten by Peel Hunt.

Within the terms of the placing agreement entered into between Peel Hunt and the Company (the "Placing Agreement"), Peel Hunt has conditionally placed the Placing Shares with investors at a price of 31 pence per share (the "Placing Price"). The Placing is conditional, inter alia, upon Admission becoming effective and the Placing Agreement becoming unconditional in all respects by no later than 8.00 a.m. on 5 July 2013.

Application has been made for the Placing Shares and the Initial Consideration Shares, which will rank pari passu in all respects with the existing Ordinary Shares, to be admitted to trading on the AIM Market of the London Stock Exchange ("Admission"). Admission is expected to take place on 5 July 2013.

Following Admission the Company's enlarged issued share capital will comprise 161,715,350 Ordinary Shares with voting rights. The figure of 161,715,350 Ordinary Shares may be used by shareholders in the Company as the denominator for the calculations by which they will determine if they are required to notify their interest in, or a change in their interest in, the share capital of the Company under the FCA's Disclosure and Transparency Rules.

Trading Update

Since the year ended 31 December 2012, the Company's assets under management have increased by £217m to £2,003m (an increase of 12%) as at the end of June 2013.

Current trading is in line with expectations, with the planned scale up of resources accelerating the trajectory of the business.

Cash flows from operations are positive in the first half of the year. Cash balances have increased to £12.4m at 30 June 2013 following the payment of the dividend, bonuses and the purchase of Miton shares for the EBT in the first half.

Fund flows

Hugh Grieves joined Nick Ford to launch the CF Miton US Opportunities Fund in March. George Godber and Georgina Hamilton also launched the CF Miton UK Value Opportunities Fund in March. These two new funds have already attracted assets totalling £40m in just two months.

Gervais Williams and Martin Turner's funds have attracted strong inflows in the period with overall assets under management totalling £330m in just over two years. Inflows into the CF Miton UK Multi Cap Income Fund have accelerated bringing this fund up to just under £90m in a little over 18 months since first launched. In recent months Miton has also been appointed manager to the £82m Miton Income Opportunities Trust plc.

With the rise in markets there have been modest outflows from our defensively positioned multi asset funds. These have been more than offset by the rise in their asset values.

However, the risk rated multi asset funds in Liverpool have continued to suffer outflows too, but these funds have maintained their scale due to market appreciation. Miton has renewed the leadership of the Liverpool business with the appointment of Jim Davies as non-executive Chairman of Miton Capital Partners Limited.

In June 2013, Miton was appointed manager of The Investment Company plc, a £17.5m fund that principally invests in convertible loan stocks and convertible preference shares - an asset class which the Company believes will become more mainstream in the future.

Scaling up internal operations

Miton is introducing additional IT to facilitate growth. The new systems will enable straight through processing, improved fund management and data management and increased compliance rigour. In addition, Piers Harrison will join at the end of July as Director of Operations and Risk Management of the regulated subsidiaries.

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