

# MAY 2022

## MONTHLY FACTSHEET

at last valuation point in May 2022 unless otherwise stated



### MANAGER COMMENTARY

At the beginning of the month, as widely anticipated, the Federal Reserve increased interest rates by 0.50%, the first such increase in 22 years, to a range between 0.75% and 1%. It also stated it would start its quantitative tightening phase in June by selling government and corporate bonds to shrink its balance sheet. Both actions are an attempt to bring down the elevated rate of inflation that has seen consumer prices rise at their fastest pace since 1981. There are concerns that if the Fed increases rates too quickly it could push the economy into a recession, especially after the US economy shrank by 1.4% in the first quarter of 2022. In essence, it wants to dampen inflation and yet keep the economy growing to avoid an economic recession.

Closer to home the Bank of England increased rates from 0.75% to 1%. This is the fourth consecutive increase since December in response to stubbornly high inflation, currently at a 30-year high. Some economists are suggesting it could hit 10% later in the year. The MPC is in a dilemma as it navigates the narrow path between inflation on one side and big external shocks, causing the loss of real income for consumers and businesses, on the other. Towards the end of the month the UK government announced a range of economic support packages to support families from rising energy prices.

In previous factsheets we have discussed the Covid-19 lockdowns in China and the associated disruption to supply chains and its economy. In response, the Chinese government have unveiled a fiscal stimulus package of c.US\$506 billion, as it tries to offset the economic shock caused by its zero tolerance to Covid-19 and boost economic growth. In a show of defiance, the Chinese government stated it will introduce further stimulus packages if required.

### COMPANY NEWS

**ConvaTec** manufactures and distributes essential medical products for chronic conditions. The company has leading market positions in advanced wound care, ostomy care and continence care. The products provide a range of clinical and economic benefits including infection prevention, protection of at-risk skin, improved patient outcomes and reduced total cost of care. Their end markets are growing due to a combination of an ever-ageing population and increasing prevalence of chronic conditions.

Under the newish leadership of Karim Bitar, the group has been pivoted towards more sustainable profitable growth via a combination of a greater focus on strategic R&D, product innovation, combined with a general efficiency drive throughout the organisation. This is forecast to deliver organic revenue growth of 4-6% over the next few years with the margin expanding to c.25% over the medium-term from the current level of 18%. Bolt on M&A that provides a commercial and technological advantage is now embedded as part of the growth strategy and the pipeline is reported to be

Company News continued overleaf

### PERFORMANCE SINCE LAUNCH (%)



### CUMULATIVE PERFORMANCE

	YTD	3 MTHS	6 MTHS	1 YR	3YR	LAUNCH
<b>FUND</b>	<b>-19.54</b>	<b>-4.82</b>	<b>-16.68</b>	<b>-8.06</b>	<b>9.32</b>	<b>13.06</b>
Benchmark	2.31	2.31	6.85	8.43	17.67	13.59
IA Sector	-5.87	0.58	-1.65	-1.45	14.97	9.81
Rank in sector	236/252	238/253	235/251	180/248	178/238	99/234
Quartile	4	4	4	3	3	2

Total Return, Bid to Bid, Tax UK Net, Sterling Terms. Source: T. Bailey Fund Services Limited/Financial Express Analytics. Past performance is not a reliable indicator of future results. The value of your investment and the income derived from it can go down as well as up and you may not get back the money you invested.

### INVESTOR PROFILE

The fund may appeal to investors who:

- Plan to hold their investment for the long-term
- Are prepared to accept the risks associated with the volatile nature of equity related investments
- Want total return through a blend of capital and income growth

### KEY DETAILS

Acc single price	113.06p
Inc single price	104.42p
Benchmark	CBOE UK All Companies
IA Sector	UK All Companies
Launch Date	14 May 2018
Holdings	35
Prospective yield	2.2%
Div ex dates	1/5 & 1/11
Div pay dates	30/6 & 31/12
Fund Value	£10.8 million

### TOP 15 HOLDINGS %

DIPLOMA	5.1%
RELX	4.6%
DIAGEO	4.2%
ASSTEAD	4.1%
MICROSOFT	4.0%
UNILEVER	4.0%
ALPHABET	3.9%
DECHRA PHARMACEUTICALS	3.7%
POLAR CAPITAL	3.2%
CHUBB	3.2%
SAVILLS	3.2%
DISCOVERIE	3.0%
EXPERIAN	3.0%
LVMH	2.9%
CRODA	2.8%
<b>TOTAL</b>	<b>55.1%</b>

### GEOGRAPHICAL BREAKDOWN %

UK	75.7%
USA	13.8%
Europe	5.2%
Cash	5.3%
<b>TOTAL</b>	<b>100%</b>

healthy. A recent capital markets day focused on technology and innovation by the impressive new Chief Technology Officer – formerly Eli Lilly & Moderna – and how the entire R&D process is more integrated across the organisation allowing for shared capabilities across regulatory, biomaterials and software. As a result of these changes they will be able to process c.4 new products per year versus 2 historically. Thus far in 2022 the stock is up over 10% and we think the long-term opportunity is compelling as the pivot has been largely completed which will drive revenue, profit and market share growth over the medium to long-term.

**Watches of Switzerland** is the UK's largest omni-channel retailer of luxury watches with a growing presence in the fragmented markets of the US and Europe. We have initiated a small position in the business having monitored it since IPO in mid-2019. The business has a strong track record of delivering robust operational and financial performance. In a recent trading statement for FY22 revenue was up 40%, whilst profit was up over 60%. Debt has been reduced from £44 million to £14 million and they are forecasting FY23 net cash of c.£40 million.

The key drivers are their long-term partnerships with the luxury watch manufacturers such as Rolex who are very selective about who can sell their watches giving them a strong competitive advantage and a powerful barrier to entry. In addition, they are innovative in their approach to retailing with leading edge systems and technology which proved very powerful during Covid-19 when stores were closed. We believe the business is well positioned with a comprehensive 5-year plan to build and develop its leading UK position whilst also grow and become the dominant player in the US which is an under-invested market for luxury watches. This enables crucial customer feedback to ensure product relevance and responsiveness where required.



**MICHAEL FOSTER**  
Lead Portfolio Manager

Michael launched the Ocean UK Equity Fund in May 2018. He has a degree in History of Art from the University of East Anglia and holds the Investment

Management Certificate. He has managed private investments for the last 7 years.



**JAMES HARRISON**  
Co-manager

James joined the Ocean UK Equity Fund at launch in May 2018. He is a Chartered Fellow of the Securities Institute and is Chief Executive Officer of Fiske

plc. He has over 22 years of industry experience.



**JULIAN DIEPPE**  
Co-manager

Julian joined the Ocean UK Equity Fund at launch in May 2018. He is a Member of the Securities Institute and is an Investment Manager at Fiske plc. He

has over 10 years of industry experience.

## INVESTMENT OBJECTIVE

The Fund aims to achieve capital and income growth, and to provide a return (after fees, charges and other expenses payable out of the Fund) in excess of that of the CBOE UK All Companies Total Return Index over the long-term.

## FUND FEATURES

- Emphasis on total return (TR) via blend of capital and dividend growth
- Focus on quality companies with high returns on capital and strong cash flows
- High conviction, low turnover – 'buy and manage' approach
- 30 – 40 holdings
- Investing across the market cap universe
- Preservation of capital is paramount over the business cycle
- Predominantly UK and up to 20% Overseas from a listing perspective

## HOW TO INVEST

Ocean UK Equity is available as an OEIC and is also suitable to include in stocks and shares ISAs and SIPPs.

You can buy shares in the fund by visiting: [tbaileys.co.uk/funds/ocean-investment-funds](https://tbaileys.co.uk/funds/ocean-investment-funds)

Or by telephoning the Ocean UK Equity Investor Dealing Line: 0115 988 8288 (open business days between 9am and 5pm)

Or via the following platforms:

Aviva	Pershing
Allfunds	Raymond James
Barclays	Transact
Hargreaves Lansdown	Winterflood
interactive investor	Aegon
Seven Investment Management (7IM)	

## CONTACT US

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[tbaileys.co.uk/funds/ocean-investment-funds](https://tbaileys.co.uk/funds/ocean-investment-funds)

Currency	Price	Minimum Investment	Annual Management Charge (AMC)	†Ongoing Charge Figure (OCF) - taken from capital	ISIN	SEDOL
GBP						
B Acc	113.06p	£1000	0.75%	1.06%	GB00BDRNX587	BDRNX58
B Inc	104.42p	£1000	0.75%	1.06%	GB00BDRNX694	BDRNX69

† Please note the 1.06% OCF includes the AMC | Entry and Exit charges 0%

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