

JULY 2022

MONTHLY FACTSHEET

at last valuation point in July 2022 unless otherwise stated

MANAGER COMMENTARY

Global equity markets had a strong month despite the challenging backdrop. Rising UK inflation – the dominant theme of equity markets thus far in 2022 – jumped to 9.4%, a 40-year high in the 12 months to June 2022 driven principally by higher energy, fuel, and food costs. The BoE governor stated in his annual Mansion House address that interest rates could potentially be increased by 50 bps at its next meetings in early August and September as it battles to bring inflation down. The BoE anticipates inflation will peak at c.13% in the autumn following the introduction of the new energy price cap. In the US, the Federal Reserve increased rates by 75 bps for the second consecutive month in its effort to tame soaring inflation. They stated that, “it will likely become appropriate to slow the pace of increases while we assess how our cumulative policy adjustments are affecting the economy and inflation”. With economic growth nascent the market is now forecasting the Fed to potentially cut rates in mid-2023.

There are encouraging signs that some costs are falling such as oil and freight charges along with certain commodities such as copper and zinc. We think inflation will fall in 2023 back towards the BoE’s 2% mandated target in 2024. The tragic war in Ukraine is a huge contributory factor to higher inflation. A peace deal is very much needed to help stabilise certain prices as well as to put an end to the human suffering. With this in mind the agreement between the Ukraine and Russia – brokered by Turkey and the UN – to export grain safely is encouraging and should help ease rising food prices and concerns over food shortages.

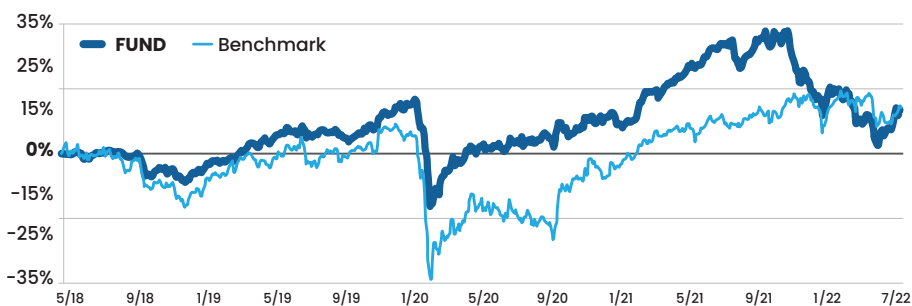
We have mentioned in previous factsheets that our companies such as Unilever, Dechra, LVMH, ConvaTec and Diploma are operating pretty well and this has been reflected with the fund rising 10.2% in July.

COMPANY NEWS

LVMH – designs, manufactures and retails luxury goods – updated the market with a robust half-year trading update. Sales rose by 20%, driven principally by strong sales in the US and Europe offsetting weaker sales in China due to Covid lockdowns. We continue to admire the creative innovation within the various brands such as Dior and Louis Vuitton in order to keep its brands relevant with its customer base. We think further M&A activity is a possibility given the recent success of the Tiffany acquisition and integration. Management stated that ‘given the current geopolitical environment and taking into account the global Covid situation, LVMH will maintain a strategy focused on continuously strengthening the desirability of its brands.’ We continue to think LVMH is well positioned due to its diversified portfolio and impressive execution to grow steadily over the medium term.

Company News continued overleaf

PERFORMANCE SINCE LAUNCH (%)



CUMULATIVE PERFORMANCE

	YTD	3 MTHS	6 MTHS	1 YR	3YR	LAUNCH
FUND	-17.97	-1.80	-7.32	-11.45	6.40	15.26
Benchmark	0.63	-0.84	0.61	6.12	9.33	11.72
IA Sector	-7.74	-1.85	-4.24	-4.48	8.11	7.64
Rank in sector	219/252	145/253	187/252	192/250	138/239	40/235
Quartile	4	3	3	4	3	1

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	115.26
Inc single price	106.47
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	£10.9 million

TOP 15 HOLDINGS %

DIPLOMA	5.3%
RELX	4.8%
DIAGEO	4.4%
ASHTHEAD	4.3%
UNILEVER	4.2%
MICROSOFT	4.2%
ALPHABET	4.0%
DECHRA PHARMACEUTICALS	3.7%
SAVILLS	3.4%
EXPERIAN	3.2%
LVMH	3.1%
DISCOVERIE	3.0%
CRODA	3.0%
JD SPORTS	2.9%
CONVATEC	2.9%
TOTAL	56.4%

GEOGRAPHICAL BREAKDOWN %

UK	77.5%
USA	13.0%
Europe	5.5%
Cash	4.0%
TOTAL	100%

Unilever also updated the market with Q2 sales ahead of market expectations driven predominately by price increases whilst volumes were down modestly. The operating margin fell – less than anticipated – demonstrating much better recovery of cost inflation. Encouragingly management raised guidance for the full year with organic sales growth to above the previous indicated range. The FY operating margin is expected to be 16% due to high input costs and management action to invest in key areas such as R&D, marketing and capex to support ongoing price increases. The medium-term objective is to increase the operating margin to c.19/20% which will drive higher profit for investment into the brands, portfolio rationalisation and potential M&A. Whilst management came in for criticism for their much-publicised tilt at GSK’s consumer segment in early 2022 we think management are putting the business into a strong position to perform well over the medium-term. There are risks such as the poor outlook for global growth and customers trading down to own label products. That said, if we look further ahead Unilever is investing proactively into its brands whilst its 60% emerging market exposure and deep, entrenched distribution channels are under appreciated by the market.



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

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

Currency	Price	Minimum Investment	Annual Management Charge (AMC)	†Ongoing Charge Figure (OCF) - taken from capital	ISIN	SEDOL
GBP						
B Acc	115.26p	£1000	0.75%	1.06%	GB00BDRNX587	BDRNX58
B Inc	106.47p	£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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