

# OCTOBER 2022

## MONTHLY FACTSHEET

at last valuation point in October 2022 unless otherwise stated



### MANAGER COMMENTARY

During the month the UK equity market recovered a little. As has been the case so far this year the economic backdrop remains extremely challenging with central banks – Federal Reserve, ECB and BoE – aggressively increasing interest rates in order to reduce elevated inflation. The Bank of England's MPC most recently increased rates by 0.75%, the largest increase since 1989, to 3% which is the highest level since the 2008 GFC. The MPC stated that it may not have to increase rates as much as the markets are expecting and inflation should start to fall – potentially quite rapidly – from mid-2023. Inflation and rising rates continue to restrict economic activity whilst many leading economic indicators suggest that the global economy is heading towards recession. The IMF believes that a third of the developed world will be in recession in 2023 namely China, the US and Euro area. Geopolitical uncertainty remains front and centre for markets and is dominated by the war in Ukraine and China/Taiwan tensions.

### COMPANY NEWS

Quite a few portfolio holdings updated the market during the month. Our consumer branded goods holdings – **Unilever, Diageo, Reckitt Benckiser and Nestle** – have been navigating a volatile operating environment. In order to manufacture their everyday repeat purchase products – Mayonnaise, Guinness, Dettol and KitKat – they have had to contend with and absorb some extreme cost input inflation in some cases the highest in 40-years.

However due to brand loyalty/quality they have been able to pass through these elevated input prices whilst also managing cost efficiencies more effectively to provide some insulation to the downward pressure on their margins. Reckitt Benckiser which is in the middle of implementing a turnaround plan is in fact forecasting margin progression in FY22. Consumers globally are likely to be under further pressure for a while which may see further downward pressure on volumes. However, it is worth considering their relative resilience as seen during Covid and arguably their strong and growing competitive positions. Typically, their products are every-day repeat purchases with strong customer loyalty. They also have deep and embedded distribution networks in multiple geographies with attractive exposure to emerging markets. In addition, their strong cash generation means they can invest heavily in portfolio rationalisation and R&D to respond to evolving consumer behaviour and trends. Whilst the medium term is likely to be challenging, they have extensive experience of managing high inflation especially in emerging markets. Cost pressures on key inputs are already falling away and could accelerate downward from mid-2023.

**XP Power** – manufacturers and distributes power converters to ensure electronic equipment is powered safely and efficiently – issued a Q3 trading update. XP make the converter that is in the middle of your laptop electric supply cable. This is mission critical equipment and when designed in by a customer typically has a product life cycle of 7-10 years. It has been a very poor performer for the fund year to date. Why has it performed so poorly? It has had a perfect storm, its factory in China was impacted by

Company News continued overleaf

### PERFORMANCE SINCE LAUNCH (%)



### CUMULATIVE PERFORMANCE

	YTD	3 MTHS	6 MTHS	1 YR	3YR	LAUNCH
<b>FUND</b>	<b>-25.21</b>	<b>-8.82</b>	<b>-10.46</b>	<b>-21.77</b>	<b>-0.71</b>	<b>6.90</b>
Benchmark	-3.72	-4.32	-5.13	-1.60	6.72	3.44
IA Sector	-14.50	-7.33	-9.04	-12.93	1.19	-0.25
Rank in sector	215/255	179/256	174/256	204/254	147/245	87/238
Quartile	4	3	3	4	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	105.09
Inc single price	97.06
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	£9.9 million

### TOP 15 HOLDINGS %

DIPLOMA	5.3%
RELX	5.2%
ASHTHEAD	4.7%
UNILEVER	4.6%
DIAGEO	4.5%
MICROSOFT	3.7%
ALPHABET	3.4%
EXPERIAN	3.4%
LVMH	3.3%
DISCOVERIE	3.3%
RECKITT BENCKISER	3.2%
CHUBB	3.1%
CRODA	3.0%
CONVATEC	3.0%
DECHRA PHARMACEUTICALS	2.9%
<b>TOTAL</b>	<b>56.6%</b>

### GEOGRAPHICAL BREAKDOWN %

UK	79.0%
USA	13.2%
EUROPE	5.8%
CASH	2.0%
<b>TOTAL</b>	<b>100%</b>

Covid lockdowns, it was unable to source components due to supply chain issues. It is a small holding within the portfolio, but we think that despite the challenges it is relatively well positioned and should benefit from strong structural tailwinds within its end markets namely healthcare, industrial and semi-conductor segments. Trading in Q3 was strong and order intake is well above historic levels highlighting robust end markets and market share gains. The order book is at record levels which provides good visibility for the remainder of 2022 and well into 2023. That said they need to make the kit and get it out to customers. Debt has increased but this should fall back as working capital unwinds coupled with strong revenue and cash generation. We think the business can re-build and is well positioned to grow.



**MICHAEL FOSTER**  
Lead Portfolio Manager

Michael launched the Ocean 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 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 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 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: [tbaileyfs.co.uk/funds/ocean-investment-funds](https://tbaileyfs.co.uk/funds/ocean-investment-funds)

Or by telephoning the Ocean 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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T. Bailey Fund Services Ltd

[tbaileyfs.co.uk/funds/ocean-investment-funds](https://tbaileyfs.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	105.09p	£1000	0.75%	1.06%	GB00BDRNX587	BDRNX58
B Inc	97.06p	£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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