

JANUARY 2023

MONTHLY FACTSHEET

at last valuation point in December 2022 unless otherwise stated



MANAGER COMMENTARY

Equity markets had a positive month in January following a difficult 2022. Whilst it is a given that the global economy will continue to slow over the coming months it is the depth and breadth of this economic slowdown that is key and the great unknown. Although interest rates are poised to rise further, there are signs that inflation may be at or near a peak and the aggressive interest rate tightening cycle may also be close to its end.

Whilst central banks are determined to bring inflation back down to mandated levels of c.2% this may prove challenging, and we may need to get used to inflation being higher for longer due to structural challenges. Data from a variety of sources suggests that whilst economies are set for a tough 2023 whatever happens might not be quite as bad as anticipated. Global geopolitics remains fraught with Putin continuing to pursue his special military operation in Ukraine which will shortly be into its 13th month. The China/Taiwan issue rumbles on in the background and no doubt China is watching how much staying power the West has in Ukraine as it considers its strategic approach. There is also unease between the UK and EU principally around the Northern Ireland protocol.

The backdrop remains challenging with a myriad of obstacles for businesses to navigate. However, it is worth considering that our portfolio of businesses navigated Covid and whilst their share prices were beaten up in 2022 their earnings, competitive advantages and growth potential remain very much intact. 2023 will not be straight forward but we are cautiously optimistic that our companies have what it takes and more because they are very high-quality in terms of management, their strong and growing competitive positions and culture, and have the potential to reward patient long-term minded investors.

PERFORMANCE SINCE LAUNCH (%)



CUMULATIVE PERFORMANCE

	YTD	3MTHS	6MTHS	1YR	3YR	LAUNCH
Fund	4.85	8.46	-1.11	-8.35	-0.45	13.98
Benchmark	4.33	10.43	5.66	6.31	15.89	18.05
IA Sector	4.49	11.14	2.99	-1.37	7.32	10.86
Rank in Sector	86/255	218/255	207/255	208/253	185/243	109/234
Quartile	2	4	4	4	4	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.

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.

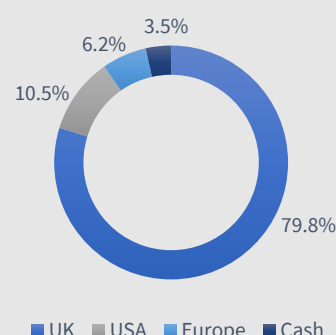
KEY DETAILS

Acc single price	113.98
Inc single price	104.03
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	£10.7 million
ISIN (Acc)	GB00BDRNX587
ISIN (Inc)	GB00BDRNX694
OCF	1.06%

TOP 15 HOLDINGS

DIPLOMA	5.4%
ASSTEAD	5.1%
RELX	4.9%
DIAGEO	4.5%
UNILEVER	4.4%
LVMH	3.9%
JD SPORTS	3.7%
DISCOVERIE	3.4%
MICROSOFT	3.3%
EXPERIAN	3.3%
CONVATEC	3.0%
FERGUSON	3.0%
DECHRA PHARMACEUTICALS	2.9%
RECKITT BENCKISER	2.9%
WATCHES OF SWITZERLAND	2.8%
TOTAL	56.3%

GEOGRAPHICAL BREAKDOWN



COMPANY NEWS

Diploma – distributor of seals, controls and medical equipment - updated investors with a robust Q1 release. We think this goes some way to demonstrate the inherent quality of the operation and the substantial momentum and opportunity for sustainable profitable growth over the medium to long-term. How it harnesses this and manages the growth are the key themes for management and investors to consider. Revenue was +30% of which 10% was organic, 11% from M&A and 9% from favourable currency movements.

We like that the business distributes mission critical equipment into the seals, controls and life science sectors which are in-turn critical for their business operations to function smoothly. Furthermore, the average spend tends to be quite low and is often financed out of opex budgets which are less likely to be cut in periods of economic weakness. The business is decentralised with quite an entrepreneurial edge (which attracts top talent) and has a bolt-on M&A strategy that is both strategic and has an attractive pipeline of opportunities. From a valuation perspective if we look out to 2025 the business is attractively valued relative to future prospects. The total addressable market is substantial and the acid test will be to remain as focused and close to their end customers as they grow. We think the CEO - ex CFO of Compass - and his team are building the platform with the required capacity for sustainable revenue and profit growth.

JD Sports - global retailer of footwear and apparel - recently updated investors with a trading update. In addition, it hosted a capital markets day with their new CEO Regis Schultz along with CFO, newish Chair, and the respective heads of buying, property and logistics. In the trading update it reported that revenue growth was +20% with 10% of this being organic with a particularly strong performance in the US helped by better availability of products from the likes of Nike and Adidas. As a result, it increased its guidance for FY23 profit to the upper range of £933m to £985m.

The capital market presentation focused on the 5-year plan to deliver double digit revenue growth, operating margin and market share growth in its key regions: Europe, US and Asia. This will see capex of £500-£600m per annum with 55% of this focused on store expansion in underpenetrated markets with c.275 new JD stores per annum. The key suppliers have signed off on the extra capacity which shows good commitment to an already strong symbiotic relationship. In short, JD will grow strongly in the next 5-years and deliver strong and sustainable profit growth. We think it has a very strong culture. Many people have been with the organisation all their working life with many starting as sales assistants on the shop floor. The new CEO has an impressive background in retail and has delivered significant and strategic growth plans in various retail arenas and geographies. As with all these types of strategic growth initiatives there are a myriad of risks. We see the biggest risk being execution of the proposed strategy and loss of key personnel with the latter being slightly more pertinent given the competition seem way behind and this may tempt management of competitors to try and lure staff away with attractive packages. We will watch with interest but do think that JD Sports is on the cusp of deepening and broadening its position as the leading global athleisure retailer all orchestrated from Bury in Lancashire.

**MICHAEL FOSTER****Lead Portfolio Manager**

Michael launched the Ocean Equity Fund in May 2018. He holds the Investment Management Certificate. He has managed private investments since 2011.

**JAMES HARRISON****Co-Manager**

James joined the Ocean Fund at launch. He is a Chartered Fellow of the Securities Institute and is CEO of Fiske plc. He has over 26 years of experience.

**JULIAN DIEPPE****Co-Manager**

Julian joined the Ocean Fund at launch. He is a member of the Securities Institute and is an Investment Manager at Fiske plc. He has over 10 years of experience.

Currency	Price	Minimum Investment	Annual Mgmt. Charge (AMC)	†Ongoing Charge Figure (OCF) – taken from capital
GBP				
B Acc	108.71p	£1,000	0.75%	1.06%
B Inc	99.21p	£1,000	0.75%	1.06%

INVESTOR PROFILE

The fund may appeal to investors who:

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

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:

tbaileys.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:

A J Bell	Charles Stanley Direct	Pershing
Aviva	Cofunds	7IM
Allfunds	Hargreaves Lansdown	Raymond James
Aegon	Interactive Investor	Transact
Barclays	Novia	Winterflood

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