

MANAGER COMMENTARY

February saw the first monetary policy meetings for 2023 of the key central banks – the BoE, Federal Reserve and ECB. The Federal Reserve raised rates by 25bps to their highest level since 2007 and stated that inflation has eased somewhat but remains elevated. It went on to comment that while recent developments in terms of falling inflation are encouraging, it will need substantially more evidence to be confident that inflation is on a sustained downward path. In addition, the Fed has been reducing its bond portfolio via ‘Quantitative Tightening’ which should also act as a drag on inflation and reduce demand. Some economists think this balance sheet reduction has been the equivalent of about 2% of additional rate hikes.

In the UK the BoE raised rates by 50bps to 4% and suggested they may have peaked although the market is not so sure. Economic data remains mixed but the good news is that a recession has been avoided for now and even if it does transpire at some point in 2023 it will likely be relatively shallow. Unemployment remains low which is encouraging but business confidence, investment and productivity is weak. The government’s Windsor framework in partnership with the EU should provide a modest boost to trade and business confidence.

Central banks are having to conduct a high-wire act. On the one hand they need to reduce inflation from 40-year highs whilst on the other, they want to avoid deep recessions and economic scarring. This backdrop is hardly inspiring for equity markets which fell over the month despite corporate earnings that have been broadly encouraging considering the challenging economic backdrop.

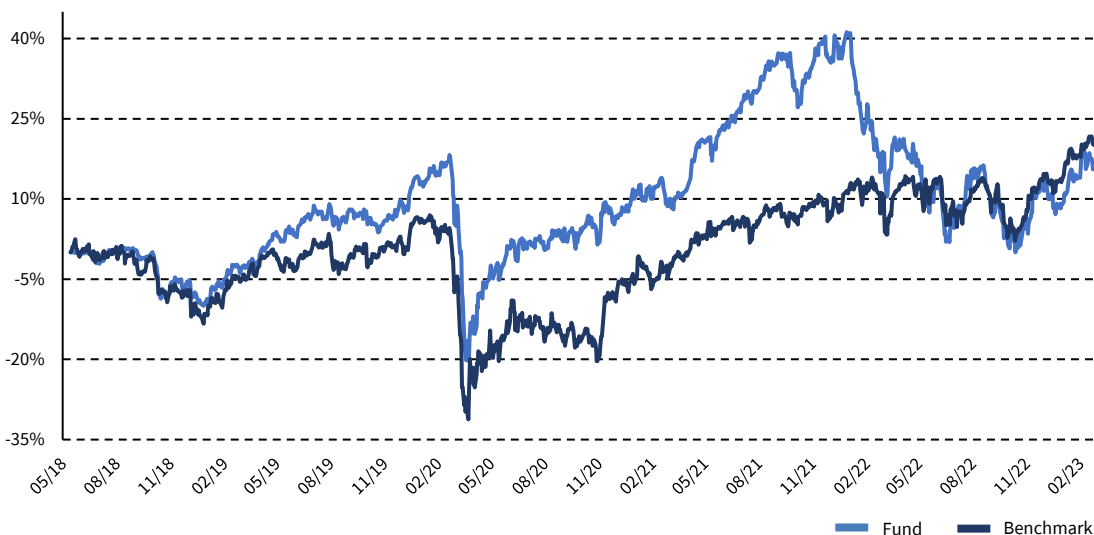
INVESTMENT OBJECTIVE

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	114.59
Inc single price	104.58
Benchmark	CBOE UK All Co's
IA Sector	UK All Co's
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

PERFORMANCE SINCE LAUNCH (%)



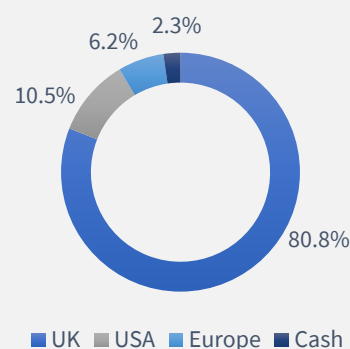
TOP 15 HOLDINGS

DIPLOMA	5.5%
ASHTEAD	5.3%
RELX	5.1%
DIAGEO	4.6%
UNILEVER	4.4%
JD SPORTS	4.1%
LVMH	3.9%
MICROSOFT	3.5%
DISCOVERIE	3.3%
EXPERIAN	3.1%
FERGUSON	3.1%
RECKITT BENCKISER	2.9%
WATCHES OF SWITZERLAND	2.9%
POLAR CAPITAL HOLDINGS	2.9%
CONVATEC	2.9%
TOTAL	57.5%

CUMULATIVE PERFORMANCE

	YTD	3MTHS	6MTHS	1YR	3YR	LAUNCH
Fund	5.41	2.77	4.74	-3.54	8.73	14.59
Benchmark	6.14	4.70	9.36	8.21	29.82	20.10
IA Sector	6.20	4.96	8.24	3.19	20.43	12.67
Rank in Sector	195/255	212/255	214/255	210/255	197/242	124/234
Quartile	4	4	4	4	4	3

GEOGRAPHICAL BREAKDOWN



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.

COMPANY NEWS

Relx updated investors with Prelims which were robust and demonstrated the strength in depth of management, capability, and critically, future prospects. Relx has transitioned from print to digital over the last 20 years in an exemplary manner whilst maintaining a laser focus and deep understanding of their customers and their respective end markets. Revenue was up 9%, operating profit up 15%, EPS up 10%, dividend up 10%. In addition, net debt to EBITDA has fallen to 2.1x, ROIC has averaged 12.4% over the last five years and they aim to buy-back £800m of shares in 2023. We think Relx is under appreciated for the inherent quality of the business and the significant open road ahead backed with very capable management who target organic growth and bolt-on M&A. Interestingly, Relx has the ability via its unique data sets to create new markets for its customers which in turn gives their consumers better outcomes. If we look two years out the shares trade on about 20x earnings which is a significant discount to global peers such as Thomson Reuters and Verisk Analytics. We think the business is very well placed for steady growth over the medium to long-term as long as they keep executing and delivering. An analyst recently wrote that, 'We got Relx wrong...it's an even better story than we thought'.

Dechra Pharmaceuticals – global manufacturer and distributor of veterinary products - updated investors with interim results. Revenue was up 5%, operating profit up c.8%, the dividend was ahead 4% and covered 2.5x. On the other side EPS was down 20% following an equity raise to finance M&A in mid-2022. The gross margin increased 150bps but the operating margin contracted 430bps due to higher R&D to drive the pipeline of some very exciting novelty products and strategic investment into recent acquisitions. Investors were concerned by some de-stocking that took place by two US wholesalers since the year end trading update in January – interestingly this was also highlighted by peers Elanco Health and PetIQ. However, management see this as a one off as wholesalers have reduced stock holdings from 6 to 4 weeks. One of the key elements to note here is that if wholesalers drop stock levels below 4 weeks they risk not being able to reliably service their end customers – vets. Management noted they see 'sales out data' - sales the wholesalers are making to vet practices - and sales remain strong.

When taking all this into account it is important to reflect on how well the business is positioned for robust growth via a combination of organic growth and bolt-on M&A. Its record for buying and integrating businesses to drive growth has been very impressive over the years. The CEO has been in the role for over 20 years and has an excellent understanding of the industry. It has a growing competitive position and a very exciting pipeline of products to drive growth which management says is the strongest they have known. The business is well invested, trades at a discount to US peers such as Zoetis, and the growth opportunity in emerging markets such as Latin America, Eastern Europe and Asia remains compelling.



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.

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

Currency	Price	Minimum Investment	Annual Mgmt. Charge (AMC)	*Ongoing Charge Figure (OCF) – taken from capital	ISIN	Sedol
GBP						
B Acc	114.59p	£1,000	0.75%	1.14%	GB00BDRNX587	BDRNX58
B Inc	104.58p	£1,000	0.75%	1.14%	GB00BDRNX694	BDRNX69

*please note the 1.14% OCF includes the AMC Entry and Exit charges 0%

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CONTACT US

Michael Foster (Manager) – 07771 516 565
Kevin Mordrick (Fund Sales) – 07557 798 421
 100 Wood Street, London, EC2V 7AN
 Authorised Corporate Director & Administrator:
 T. Bailey Fund Services Ltd
tbaileys.co.uk/funds/ocean-investment-funds