MARCH 2023

MONTHLY FACTSHEET

at last valuation point in March 2023 unless otherwise stated

OCEAN EQUITY

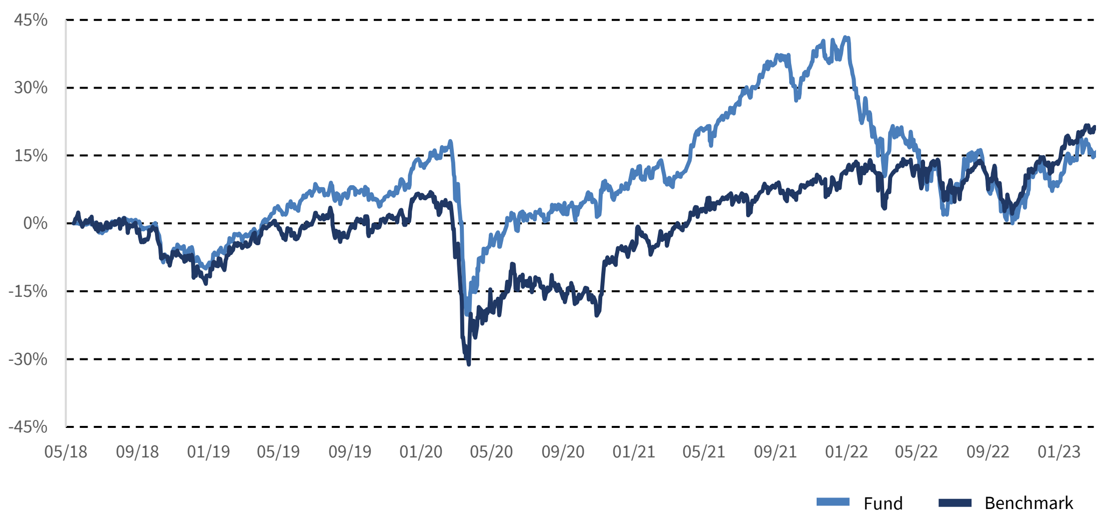
MANAGER COMMENTARY

The month has been fairly eventful with Silicon Valley & Signature bank going bankrupt in the US and UBS taking control of Credit Suisse in order to manage systemic financial contagion risk. Whilst commercial banks have been collapsing the principle central banks – Fed, BoE and ECB - have continued with their aggressive interest rate tightening phase to try and bring inflation down to mandated/more modest levels. It is strange to think that this aggressive tightening cycle – the BoE has raised rates at 10 consecutive MPC meetings since Jan 2022 – is likely to have played an unintended role in Silicon Valley going bankrupt and merely expedited the UBS rescue of Credit Suisse. The latter has been in very poor financial health since the GFC so it was only really a matter of time.

Investors were left wondering which banks might be put under the financial microscope next and experience the withdrawal of deposits via a mobile or laptop all actioned in a matter of seconds. Banks have embraced the new world by closing branches and moving online but are they ready for the new reality? The issue for central banks is that whilst monetary tightening is understandable from an inflation point of view the velocity of the increases was always going to cause unintended consequences. This is exacerbated by the fact that some banks are sitting on heavy losses within their investment portfolios coupled with the risk of customers withdrawing deposits in quick time in they are nervous about their deposits. Banks that have been investing in long-duration bonds have significant losses that compound other losses sitting on balance sheets. The other aspect that is different from traditional bank runs is that 'a bank run' can now be caused by people simply withdrawing funds at the click of a button. There is no need for consumers to queue up outside a bank and furthermore, most branches on the high-street have been closed. This therefore means a bank run that may been conceived on social media could be actioned on a mobile phone/laptop. This is the new, very fluid world and consumers reacting to potential rumour in a febrile atmosphere.

In the interests of clarity for investors in Ocean Equity we do not invest in 'UK retail banks'. We believe these banks take excessive risk to make an adequate return, have very poor culture and archaic computer systems/networks. Whilst we recognise banks play a critical role within an economy and want them to be well and conservatively managed, we have deep reservations about their practices and conduct. In addition, there are some significant structural changes afoot in the banking network. The essential function of a bank is to take deposits, facilitate payments and, most critically, to make prudent loans. These critical roles are now being actioned by FinTechs and

PERFORMANCE SINCE LAUNCH (%)



CUMULATIVE PERFORMANCE

	YTD	3MTHS	6MTHS	1YR	3YR	LAUNCH
Fund	**4.41**	**4.41**	**11.93**	**-5.94**	**28.87**	**13.50**
Benchmark	**3.16**	**3.16**	**12.85**	**3.78**	**48.74**	**16.73**
IA Sector	2.63	2.63	12.59	-1.86	42.69	8.89
Rank in Sector	48/247	48/247	164/247	179/247	194/236	101/227
Quartile	1	1	3	3	4	2

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.

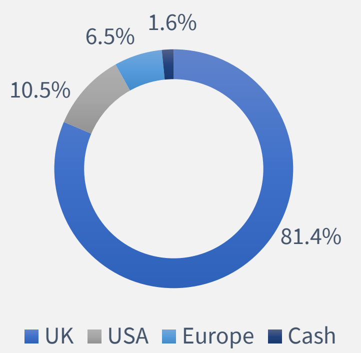
KEY DETAILS

Acc single price	113.50
Inc single price	103.59
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	£10.7 million

TOP 15 HOLDINGS

DIPLOMA	5.57%
RELX	5.37%
ASHTEAD	4.77%
DIAGEO	4.69%
UNILEVER	4.58%
LVMH	4.13%
JD SPORTS	4.05%
MICROSOFT	3.87%
RECKITT BENCKISER	3.19%
DISCOVERIE	3.12%
EXPERIAN	3.00%
CONVATEC	2.91%
SPIRAX SARCO	2.89%
WATCHES OF SWITZERLAND	2.84%
FERGUSON	2.82%
TOTAL	**57.8%**

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.

MARCH 2023 FACTSHEET

OCEAN EQUITY

MANAGER COMMENTARY CONT.

traditional bank loans are being replaced by peer-to-peer lending platforms. Furthermore we are very concerned that in the UK there is little competition to promote sensible pricing and best practice to provide good consumer and societal outcomes. We think they should be 'broken up' having been forced together in the teeth of the GFC by politicians and regulators with decent intentions but ultimately created poor stakeholder outcomes. The new FinTechs have tiny market shares and are not able to compete effectively which is detrimental to consumers and UK plc. There will be pockets of excellence but they are myopic. That said, we are pragmatic investors and alert to changing attitudes/practices. We are not saying never but are simply saying not now and probably very unlikely going forward. UK banks are very poor businesses and we will not put your capital into them even if they appear optically cheap.

COMPANY NEWS

During the first quarter we initiated a new holding in **John Deere (JD)** – the global No 1 manufacturer and distributor of equipment used in agriculture, construction, forestry and turf care. The green and yellow liveried tractors are ubiquitous and once you've owned one, you are in the JD eco system. Customer retention is high and most users are unlikely to switch to other potentially less reliable equipment. Farmers need their equipment to be working well particularly during critical periods such as harvesting and sowing. Doing these mission critical agricultural activities on the right day in the right conditions can make all the difference in terms of yield. The agricultural industry is facing some very significant structural challenges. There are currently c.8 billion people on the planet and this is set to increase to nearly 10 billion by 2050 increasing global food demand by 50%. Farmers therefore need to feed a growing population but the agricultural land base is arguably shrinking. Vertical farming will take on greater significance. The climate emergency and the cutting down of rain forests to cultivate crops is not commensurate with net zero targets especially as trees are a prime carbon absorber. Farmers need to drive better yields, via lower production costs and efficiencies to keep food costs down.

This backdrop culminates in a very solid growth outlook for JD especially as it has the technology stack to accelerate precision farming and automation whilst driving efficiencies for farmers and end consumers. Autonomous tractors are a reality and are in production. In addition JD will put all the required technology into existing JD tractors avoiding unnecessary cost and this will encourage early adoption. We think JD is very well positioned with attractive growth prospects. If we look forward 2 years the PE is only just above 10x and substantially below the 10-year average together with a FCF yield of 7.5% for a business that is less cyclical, very high quality with good structural tailwinds. It is also worth noting that FY22 saw record revenue of over US$52 billion – in 2016, revenue was at US$26 billion. We think the business is well placed to benefit via its embedded culture of R&D, and their philosophy of continuous improvement gives them a strong competitive advantage that translates into attractive economics.

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	ISIN	Sedol
GBP						
B Acc	113.50p	£1,000	0.75%	1.14%	GB00BDRNX587	BDRNX58
B Inc	103.59p	£1,000	0.75%	1.14%	GB00BDRNX694	BDRNX69

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

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: *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:

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

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