

# DECEMBER 2022

## MONTHLY FACTSHEET

at last valuation point in December 2022 unless otherwise stated

### MANAGER COMMENTARY

December was another weak month for equity markets which finished 2022 with their biggest annual fall since the Global Financial Crisis of 2008. The broad themes of 2022— inflation, rising interest rates, war in Ukraine, and slowing corporate profits—continued to dominate investor fears in December. Inflation showed signs of abating but remained well above central bank targeted levels leading the US Federal Reserve to maintain its hawkish tone. Central banks including the Federal Reserve, ECB and BoE all increased interest rates as was widely anticipated. However, it was the hawkish tone in the supporting statements that unnerved investors and markets. In the case of the Federal Reserve it stated that whilst inflation has showed tentative signs of abating it is still well above target levels – generally 2% – and it said that interest rates will be ‘higher for longer with no cuts in 2023’.

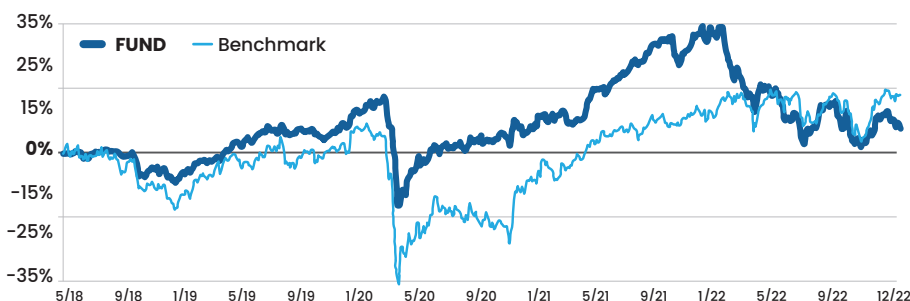
The BoE raised rates for the ninth time in 2022 to 3.5%, to their highest level in 14 years, demonstrating their resolute focus on reducing inflation to the mandated 2% target and thereby lowering the intense cost pressures on consumers and businesses. The BoE governor said that the fall in CPI from 11.1% in October represented “the first glimmer” that inflation had begun to ease and he expected a rapid fall, “probably from the late spring onwards”. These comments were interpreted as meaning that further rate rises in 2023 could result in a peak below the 4.5% level the market has been anticipating. It is highly likely that the UK and euro area are in a recession, although optimism that the recession will not be as deep as initially feared surfaced in December. Elsewhere Chinese officials began to relax their zero-Covid policies to boost domestic spending and international travel. Unfortunately, the move resulted in a near-term surge in Covid cases.

### COMPANY NEWS

**Games Workshop** announced before the end of the year that it had reached an agreement in principle with Amazon to develop its highly prized Warhammer IP into film and television productions. Whilst the project is dependent on contracts being signed, Amazon will be commencing certain development activities which demonstrates good intent. Management have been developing this side of the business over the last few years and we see Amazon as an ideal partner with its ability to distribute the content to capture eyeballs. Whilst there was no detail on the commercials it demonstrates the inherent value of the content that the company has spent many years curating. It is interesting to note that Amazon is reportedly spending over US\$1 billion on Lord of the Rings and during the premier of Rings of Power it had 25 million viewers in the first 24 hours. The key aspect to GAW is that it is vertically integrated in that it designs the games/concepts and manufactures the kits/paint that are used all over the world by its growing army of loyal fans particularly in Asia and the US. The challenge for management is to keep creating innovative games and customer focused content that its fans want.

Company News continued overleaf

### PERFORMANCE SINCE LAUNCH (%)



### CUMULATIVE PERFORMANCE

|                | YTD     | 3 MTHS  | 6 MTHS  | 1 YR    | 3YR     | LAUNCH |
|----------------|---------|---------|---------|---------|---------|--------|
| FUND           | 7.21    | 3.94    | -22.63  | -3.54   | 8.71    |        |
| Benchmark      | 9.39    | 5.71    | 1.92    | 7.21    | 13.15   |        |
| IA Sector      | 9.71    | 4.24    | -9.06   | 0.22    | 6.10    |        |
| Rank in sector | 222/255 | 163/255 | 222/253 | 164/243 | 113/236 |        |
| Quartile       | 4       | 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  | 108.71                |
| Inc single price  | 99.21                 |
| 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        | £10.2 million         |

### TOP 15 HOLDINGS %

|                   |       |
|-------------------|-------|
| DIPLOMA           | 5.8%  |
| RELX              | 4.9%  |
| ASHTAD            | 4.8%  |
| UNILEVER          | 4.7%  |
| DIAGEO            | 4.4%  |
| LVMH              | 3.6%  |
| MICROSOFT         | 3.5%  |
| EXPERIAN          | 3.3%  |
| DISCOVERIE        | 3.1%  |
| CONVATEC          | 3.1%  |
| RECKITT BENCKISER | 3.1%  |
| JD SPORTS         | 3.0%  |
| CHUBB             | 3.0%  |
| ALPHABET          | 2.9%  |
| FERGUSON          | 2.9%  |
| TOTAL             | 56.2% |

### GEOGRAPHICAL BREAKDOWN %

|        |        |
|--------|--------|
| UK     | 78.4%  |
| USA    | 12.24% |
| EUROPE | 6.03%  |
| CASH   | 3.4%   |
| TOTAL  | 100%   |

**Ashtead** – rents industrial/construction equipment enabling customers to lift, power, generate, move, dig, scrub, pump, heat and ventilate – which is cheaper than an outright purchase of such equipment – updated investors with its interim results. Revenue was up 25%, profit up 28%, EPS up 32% and the dividend up 20%. This has all been delivered during a period of strategic investment – in equipment, sites and bolt on M&A – to capture the expanding market opportunity. Net debt to EBITDA at 1.6x is at the lower end of their 1.5-2x and it continues to buy back shares.

This robust performance resulted in management stating that its FY23 results will be ahead of previous expectations. We believe Ashtead continues to benefit from its increasing scale – No.2 in the US market – expanding product offering, the return of mega projects and critically the structural tailwind as businesses rent equipment utilising Opex budgets versus buying equipment utilising capital budgets especially during uncertain times. If we look out to FY25, when many of the benefits of project Sunbelt 3.0 as mapped out in their CMD in April 2021 should have come into effect, the business has the potential to drive significant revenue and profit growth as it responds to an evolving marketplace. Brendan Horgan, who has been at Ashtead for 27 years and CEO since May 2019, has seen/witnessed different business cycles come and go and interestingly said, the current circumstances for Ashtead are “the most favourable conditions I have ever known”.



**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) |               |

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| Currency | Price   | Minimum Investment | Annual Management Charge (AMC) | † Ongoing Charge Figure (OCF) – taken from capital | ISIN         | SEDOL   |
|----------|---------|--------------------|--------------------------------|--|--------------|---------|
| GBP      |         |                    |                                |  |              |         |
| B Acc    | 108.71p | £1000              | 0.75%                          | 1.06%  | GB00BDRNX587 | BDRNX58 |
| B Inc    | 99.21p  | £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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