

# FUND FACTSHEET

OCTOBER 2023

at last valuation point in  
October 2023 unless  
otherwise stated

**OCEAN**  
EQUITY

## 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.

## MANAGER COMMENTARY

Equity markets fell during the month due to a combination of investor concern over inflation, interest rates, rising bond yields and the tragic and ongoing events in the Middle East. As we have said before equity markets loathe uncertainty and there is plenty of negativity that is occupying investor attention at the moment. In addition, and as if we need reminding, October is historically a notoriously poor month for equity markets – the Great Crash of 1929 and Black Monday in 1987 spring to mind.

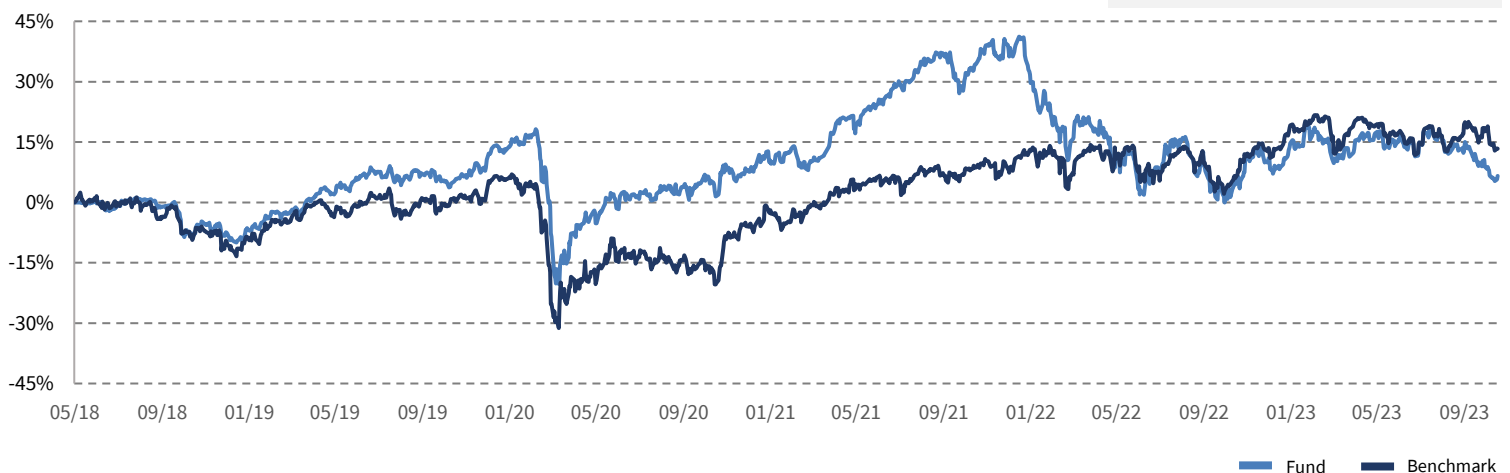
Headline UK inflation held steady at 6.7% in September following three-months of steady falls despite the oil price rising after production cuts by Russia and Saudi Arabia and in response to the deteriorating situation in the Middle East. Whilst there are many moving parts within the inflation piece, it should be noted that core inflation fell modestly to 6.1%. Whilst the Bank of England has suggested interest rates will be ‘higher for longer’ there are increasing signs that the aggressive tightening phase is impacting the wider UK economy. Unemployment is rising, albeit modestly and thankfully from low levels, and similarly the vacancy rate has fallen. It is interesting to note that the Bank of England in its August Monetary Policy Report forecast that UK CPI inflation will fall back to 2.8% by the end of summer 2024. No one quite knows what the next few months have in store. Interest rates may be at their peak and could start to drift lower at some point in the second half of 2024. When and if markets sense this they could rise quite quickly.

## CUMULATIVE PERFORMANCE

	YTD	6MTHS	1YR	3YR	5YR	LAUNCH
<b>Fund</b>	<b>-1.99</b>	<b>-8.40</b>	<b>1.39</b>	<b>4.92</b>	<b>13.51</b>	<b>6.55</b>
<b>Benchmark</b>	<b>0.20</b>	<b>-5.97</b>	<b>6.06</b>	<b>41.88</b>	<b>21.01</b>	<b>13.38</b>
IA Sector	-2.42	-7.27	3.79	24.00	12.17	3.54
Rank in Sector	140/238	158/239	174/238	186/229	121/219	113/218
Quartile	3	3	3	4	3	3

Total Return, Bid to Bid, Tax UK Net, Sterling Terms. Source: Waystone Fund Services UK 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.

## PERFORMANCE SINCE LAUNCH (%)



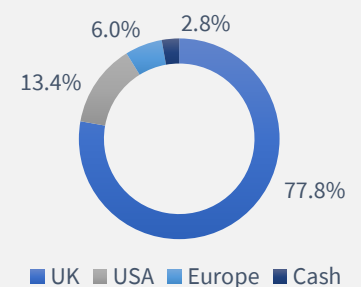
## KEY DETAILS

ACC SINGLE PRICE	106.55
INC SINGLE PRICE	96.18
BENCHMARK	CBOE UK All Co's
IA SECTOR	UK All Co's
LAUNCH DATE	14 May 2018
HOLDINGS	34
PROSPECTIVE YIELD	2.2%
DIV EX DATES	1/5 & 1/11
DIV PAY DATES	30/6 & 31/12
FUND VALUE	£9.8 million

## TOP 15 HOLDINGS

RELX	5.9%
DIPLOMA	5.6%
ASSTEAD	5.0%
MICROSOFT	4.7%
UNILEVER	4.6%
DIAGEO	4.4%
DECHRA PHARMACEUTICALS	4.2%
COMPASS	4.0%
JD SPORTS	3.7%
LVMH	3.6%
FERGUSON	3.5%
LONDON STOCK EXCHANGE	3.3%
GAMES WORKSHOP	3.2%
DEERE	3.1%
RECKITT BENCKISER	3.1%
<b>TOTAL</b>	<b>61.9%</b>

## GEOGRAPHICAL BREAKDOWN



— Fund — Benchmark

COMPANY NEWS

We sold out of **XP Power** at the beginning of the month following an unexpected profit warning. In addition, we reduced our position in **Croda** as end customers continue to hold high levels of inventory thus delaying new orders which is impacting FY23 profits. We also reduced our position in **Watches of Switzerland** due to increasing investor concern over the Rolex purchase of rival watch retailer Bucherer.

With some of the proceeds we introduced a new position in **Bunzl** which distributes a range of mission critical products for customers operating in the foodservice, grocery, safety, hygiene, and healthcare end markets. Bunzl is very customer centric and acts as a one stop shop for products such as cleaning supplies, first aid kits, and coffee cups that help their businesses operate and function and are typically a very small proportion of their overall cost base. It has a strong and growing competitive advantage and is able to price very competitively due to its scale. Furthermore, due to its innovative and evolving product range, the company can adopt a high sustainability angle. Bunzl's end markets are fragmented and 70% of orders are placed digitally reducing error rates and improving speed of service. Customers value its reliability and efficiency, and this is demonstrated by its top 40 US customers who have been within the Bunzl ecosystem for 20-years on average.

Bunzl has a very impressive long-term track record in terms of revenue, profit and dividend growth which have compounded by c.10% over many years. What might the future look like? In our opinion, the business is well placed to grow and develop via a healthy mix of organic and inorganic growth. The former will be via new customer wins and by encouraging customers to spend more as their product range increases. The M&A growth enabler is a familiar and a well-trodden strategic path that has seen management deploy an average of £366m into 12 businesses per annum over the last 6 years. The company has a very strong reputation for buying, integrating, and nurturing acquired business and, as a result, they often retain incumbent management teams leading to rapid integration into the Bunzl ecosystem and generating strong operating performance. The multi-decade experience and bolt-on nature reduces specific M&A risk and serves to fill gaps within its product ranges and extends their geographical reach.

Over the last decade Bunzl's return on invested capital (ROIC) has been in a range of 14-18% which is demonstrably above its weighted average cost of capital at 6-8%. The business model is capital light, and the excess cashflow facilitates a progressive dividend. The operating profit margin is rising modestly from c.7.3% and we think there is optionality to increase this especially as it drives operational leverage due to its scale and overall efficiency. Currently Bunzl operates in 31 territories but critically is only in all segments in six of these. The ability to expand their footprint over the longer-term is a significant opportunity for revenue and profit growth.

We have admired Bunzl for a while and think it is a very high-quality cash compounding business that supplies mission critical kit that businesses need for their day-to-day operations. In terms of valuation, the PE is tracking below its 10-year average, the FCF yield is c.6%, and the balance sheet is very strong with net debt to EBITDA at 1.2x.

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:

<https://www.waystone.com/ourfunds/waystone-fund-services-uk-limited/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	Raymond James
Barclays	Standard Life
Charles Stanley Direct	Transact
Cofunds	Winterflood
Elevate	7IM
Hargreaves Lansdown	



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.



KEVIN MORDRICK

FUND SALES

Kevin has 35 years' experience in financial services. He was Associate Sales Director for Invesco Perpetual and Sales Director of Rensburg Fund Management.

Currency	Price	Minimum Investment	Annual Mgmt. Charge (AMC)	*Ongoing Charge Figure (OCF) – taken from capital	ISIN	Sedol
<b>GBP</b>						
<b>B Acc</b>	106.55p	£1,000	0.75%	1.07%	GB00BDRNX587	BDRNX58
<b>B Inc</b>	96.18p	£1,000	0.75%	1.07%	GB00BDRNX694	BDRNX69

\*please note the 1.07% OCF includes the AMC Entry and Exit charges 0%

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 Waystone Fund Services UK Limited  
<https://www.waystone.com/ourfunds/waystone-fund-services-uk-limited/ocean-investment-funds/>

**The Ocean Equity Fund does not have an objective linked to the oceans or marine bio-diversity but the Fund Manager may choose to invest in companies that derive their revenue from shipping and energy transition sectors.**

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