

# FUND FACTSHEET

DECEMBER 2023

at last valuation point in  
December 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 had a strong month as inflation continued to drop driven principally by falling energy and food costs that had risen aggressively following Russia's illegal invasion of Ukraine. In the UK inflation ended the year at 3.9%, compared to 3.2% in the US and 2.4% in the Eurozone. The consistent and hopefully sustained fall in inflation has resulted in the Bank of England, Federal Reserve and ECB holding interest rates unchanged for three monetary policy meetings in a row.

The market has now turned its attention to when and by how much interest rates could fall in 2024. This narrative gathered pace when the Fed stated that 17 of its 19 officials projected that interest rates will be lower by the end of 2024. Furthermore, Fed Chair, Jerome Powell, said that the Fed is 'not likely' to hike rates further and that they are 'very focused on not making the mistake of keeping rates too high for too long'.

There is much market commentary on how much monetary easing central banks will implement in 2024 and what is or isn't priced into markets. Whilst we do not make projections on macro related events, we think it is possible the Fed could cut US interest rates by c.100 bps especially if the US economy weakens. Ultimately central banks do not want recessions particularly given that economies are still recovering from the pandemic. That said risks remain in the form of lagged effects from monetary policy tightening which can take 18 months to fully impact the economy. Geopolitically, the Middle East conflict could spread, and the Russia/Ukraine conflict is regrettably approaching its third year. Take for example the recent re-routing of cargo ships away from the Red Sea due to security concerns. If this continues for a sustained period, it has the potential to be quite disruptive to supply chains, whilst adding significant extra cost which could have upward inflationary implications.

We remain vigilant but take comfort in our portfolio of very high-quality businesses that are reasonably priced relative to future prospects. These companies are in good shape, managed by excellent teams who are able to navigate most economic environments.

## CUMULATIVE PERFORMANCE

	6MTHS	1YR	3YR	5YR	LAUNCH
<b>Fund</b>	<b>2.95</b>	<b>8.67</b>	<b>7.40</b>	<b>30.02</b>	<b>18.14</b>
<b>Benchmark</b>	<b>5.07</b>	<b>7.65</b>	<b>29.48</b>	<b>37.66</b>	<b>21.81</b>
IA Sector	5.40	7.38	14.50	31.55	13.93
Rank in Sector	200/237	84/236	150/227	135/219	103/216
Quartile	4	2	3	3	2

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 (%)



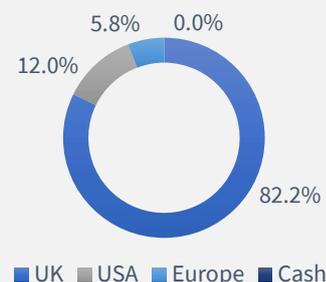
## KEY DETAILS

ACC SINGLE PRICE	118.14
INC SINGLE PRICE	105.55
BENCHMARK	CBOE UK All Co's
IA SECTOR	UK All Co's
LAUNCH DATE	14 May 2018
HOLDINGS	33
PROSPECTIVE YIELD	2.2%
DIV EX DATES	1/5 & 1/11
DIV PAY DATES	30/6 & 31/12
FUND VALUE	£10.5 million

## TOP 15 HOLDINGS

DIPLOMA	5.9%
ASHTEAD	5.4%
RELX	5.0%
JD SPORTS	4.4%
UNILEVER	4.2%
BUNZL	3.9%
COMPASS	3.8%
DIAGEO	3.8%
MICROSOFT	3.7%
FERGUSON	3.7%
EXPERIAN	3.7%
LVMH	3.6%
DECHRA PHARMACEUTICALS	3.5%
LONDON STOCK EXCHANGE	3.4%
TELECOM PLUS	3.3%
<b>TOTAL</b>	<b>61.3%</b>

## GEOGRAPHICAL BREAKDOWN



COMPANY NEWS

**DiscoverIE** issued interim results which were well received and demonstrate the significant progress management have made in terms of pivoting the business to a design and manufacture model. This has resulted in much more attractive economics. We believe the business has a significant opportunity set over the next few years especially as its end markets are substantial and fragmented. Over the last five years FY18-FY23 revenue has doubled, operating profit is up 164% and the operating margin has increased from 7.6% to 11.5%. The interims saw the margin increase again to 12.9%, revenue was up 4%, EPS 8% and the dividend up 6%. The longer-term margin target is 15% by FY28 which we think is an achievable and sustainable target as they have focused on engineering solutions for clients in markets such as renewable energy, healthcare, and transportation. In essence they are supplying markets that are growing structurally whilst the componentry they supply is mission critical and often a small proportion of the customer's total project spend. In addition, when their components are designed into a product, discoverIE typically earns revenue over its life cycle which can be up to 8 years. Critically they also work very closely with customers to ensure they have engineered solutions for when the product needs to be updated. The order book represents 5 months of visibility whilst healthy cash generation permits accretive bolt-on M&A for extra capability and geographic exposure.

**Ashtead** issued robust interim results in the month which read well and reflects the quality of the business. They highlighted the opportunity for the group over the medium to long term as companies and individuals increasingly rent capital equipment as opposed to an outright purchase. However, two weeks prior to the update, Ashtead surprised the market by issuing an unscheduled trading update where it guided to lower rental growth levels and profitability due to two principal issues. The first was the writers' and actors' strike which had persisted for longer than anticipated. The second issue was much quieter levels of emergency response due to a subdued hurricane season and fewer naturally occurring events such as wildfires. Whilst Ashtead expects to deliver strong FY24 results for the twelve months ending 30<sup>th</sup> April 2024 they will be below the levels that the market was anticipating. As with all profit warnings it is important to reflect and consider if the underlying investment case has broken down, whether management are being too optimistic in the face of a potentially changing end market, or have we simply missed something. We have thought long and hard on this and we think this is likely to be a one-off event. We respect the management – the CEO has been in the sector for 28 years - and note their comments that, 'despite these one-off events our end markets remain robust, supported in the US by an increasing number of mega projects and recent legislative acts'. There is a risk that the weakness persists for longer than management expect but the hurricane season is over and there has been a resolution to the actors' strike. Management needs to execute and keep investors onside but with a forward PE of 14x FY24 and ROIC of nearly 17% this business is not overvalued relative to future prospects.

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>	118.14p	£1,000	0.75%	1.07%	GB00BDRNX587	BDRNX58
<b>B Inc</b>	105.55p	£1,000	0.75%	1.07%	GB00BDRNX694	BDRNX69

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

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:  
 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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