# Manager view

The Bank of England (BoE) held interest rates at 4.75% at its December meeting, as expected, having reduced them by 25bps in both August and November – the first cuts of this cycle. The supporting commentary on the future path of rates is what the market is now focused on. The message was generally one of caution, suggesting the path would be gradually "downwards". However, heightened uncertainty in the economy means the BoE's Monetary Policy Committee (MPC) cannot commit to when or by much how much rates will be cut in 2025.

Interestingly, three of the nine MPC members voted for lower rates, and markets are currently anticipating a cut at February's first meeting of 2025. With inflation above the 2% target and proving quite sticky, principally due to service inflation and wages growing faster than expected, the potential quantum of cuts during the year ahead has a broad range of possibilities. Standing back and observing all the moving parts, we expect the recent Budget, with higher National Insurance and an increased minimum wage, in combination with the uncertain economic and geopolitical backdrop, to lead to a softer UK economy in 2025 than previously anticipated. As a result, we would not be surprised if the BoE increases future rate cuts to boost economic activity.

Meanwhile, in the US, the Federal Reserve reduced rates by 25bps, to a range of 4.25% to 4.5%, again as expected, but indicated the pace of cuts in 2025 would be slower than anticipated. Equity markets reacted negatively. The US economy is robust, especially when compared to global peers, and the market is now expecting two rate cuts in 2025 rather than the four previously anticipated. Much will depend on the actions of the new administration regarding trade tariffs and immigration.

Overall, we expect 2025 to be another year of reasonably healthy global GDP growth and a continued normalisation of monetary policy. Trade tariffs will inflict damage – but perhaps less than the market is expecting. As in 2024, geopolitics is likely to dominate headlines, while the economic effects will be felt over years rather than within 2025 itself.

**Michael Foster**
Lead Portfolio Manager

Michael launched the Ocean Equity Fund in May 2018. He holds the Investment Management Certificate (IMC) and has managed extensive private investments since 2011.

## Discrete performance

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 |
|---|---|---|---|---|---|---|
| **Fund** | **3.42%** | **8.67%** | **-22.63%** | **27.74%** | **-2.40%** | **24.04%** |
| IA Sector | 7.87% | 7.38% | -9.06% | 17.25% | -6.01% | 22.24% |
| Rank in Sector | 200/225 | 79/231 | 202/228 | 9/222 | 53/217 | 80/209 |
| Quartile | 4 | 2 | 4 | 1 | 1 | 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.

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# Company news

## Games Workshop

Games Workshop has been a strong performer over the year, rising more than 30%, and has made several encouraging announcements of late. In a recent interim trading update it stated that core sales for the six-month period have grown 11%, to not less than £260m. Profit will be not less than £120m, which is 25% higher than the prior period. It has also declared an 80p dividend, taking the total payout so far this financial year to 265p (versus 195p for the previous year). Management's policy is to pay dividends out of 'truly surplus cash', and the recent dividend announcement, in our opinion, demonstrates the cash-generative characteristics of the business. In addition, management has agreed creative guidelines with Amazon for Warhammer 40,000, which Amazon plans to develop into a film and TV series, with associated merchandising rights. This brings Warhammer to a vast global audience, some of whom may then become hobbyists. No economics were disclosed, but some analysts speculate the deal could be worth £1m per series. All told, this is fantastic advertising for the brand.

All this incremental progress has resulted in the company being promoted into the FTSE 100. Games Workshop can be seen as a real British success story, with nearly 80% of revenue now coming from outside the UK. In the recent 2024 annual report, Chairman Jon Brewis noted the company's proven business model, lack of debt, policy of leaving currency movements unhedged and distribution of 'truly surplus cash' to shareholders. The shares can be volatile, so we will watch our position size carefully from a risk-management perspective, but the company has been in the fund since before the pandemic and has more than doubled since.

## Ashtead

Ashtead rents out construction and industrial equipment such as diggers, pumps and air-conditioning systems. It recently reported interims that disappointed the market. Management reduced the rental growth rate outlook for the full year in light of weakness in the local non-residential construction market. We were slightly surprised by this announcement, as we generally thought the hurricane season and mega-projects would be able to offset the weaker construction end-markets. It appears the mega-projects are not coming on stream as quickly as expected, and the commercial construction market is also underperforming expectations.

Separately, management announced its roadmap to move its primary equity listing to New York from London. This is not a surprise, especially as the CEO, proposed new CFO and top-level management are all based in the US – reflecting the fact that over 90% of group revenue is generated in the US and Canada. The valuation is attractive relative to future prospects, but management need to regain the confidence of investors and keep to their guidance.

## Contact us

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**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.**