Manager view

Global factors – tariffs, inflation, economic growth, and geopolitics – cast a shadow over a declining UK equity market in March. The Trump administration's tariff rhetoric, culminating in a significant announcement on April 2, injected uncertainty and volatility. UK exporters of goods (not services) now face a 10% tariff on products sold in the US. This policy sparked fears of retaliatory measures, persistent inflation, and slower economic growth, hitting UK exporters and multinational firms hard. After a promising start to the year, with forecasts of growth and resilience fuelling a bullish outlook, March delivered a mix of challenges and opportunities that tested the market's mettle.

Several factors drove the equity market's poor performance. The UK Spring Statement painted a mixed economic picture: growth projections for 2025 were cut to 1% (down from 2%), signalling a weaker near-term path. While no immediate tax hikes were announced, the fiscal headroom of just £9.9bn by 2029-30 – combined with the prospect of future increases in the Autumn Budget – likely dented investor confidence. Businesses also face rising costs from policies like higher National Insurance contributions and a 6.7% minimum wage increase from the October 2024 Budget. Many plan to pass these costs on to consumers, potentially fuelling inflation and delaying expected Bank of England (BoE) interest rate cuts.

Looking forward, the interplay of Bank of England rate decisions, potential tax rises, and evolving trade policies will shape the market's direction. The Office for Budget Responsibility's muted growth forecast and tariff risks present hurdles, yet the UK's attractive valuations position it as a compelling – if cautious – investment case.

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.

"Looking forward, the interplay of Bank of England rate decisions, potential tax rises, and evolving trade policies will shape the market's direction."

Company news

Ashtead Technology

Ashtead Technology, a leading subsea equipment rental solutions provider for the offshore energy sector, reported preliminary results for the year ended December 31, 2024. Revenue surged 52%, driven by 14% organic growth and 39% inorganic growth from accretive M&A. Profit rose 35%, with EPS up 34%, showcasing the company's knack for generating strong profits and cash flow for reinvestment at attractive returns. Management boosted the dividend by 9% – well above inflation – reflecting confidence in cash flow and shareholder value. Return on Invested Capital (ROIC) dipped to 24% in FY24 from 27.6% in FY23 but remains well above the cost of capital, signalling efficient capital allocation despite the decline. The balance sheet is solid, with net debt at 1.3x adjusted EBITDA – within the 1-2x target range – offering room for further accretive M&A in product and geographic expansion.

Management highlighted robust demand, with record multi-year customer backlogs stretching to 2028, in the company's end markets – offshore wind and oil and gas decommissioning. Low-double-digit organic revenue growth and sustainable margins in the high 20% range over the medium term are projected. A potential move to the main market is under consideration, which could boost the company's profile and liquidity. Despite US tariff uncertainties, management expects minimal direct impact, as its service-based operations are less vulnerable to trade disruptions. We view the business as well-positioned, underpinned by the mission-critical nature of its offerings and a growing end market forecast to expand at an 8% CAGR through 2028. The shares trade at 9x FY27 earnings, with a FY25 free cash flow yield of 13% and ROIC of 19%.

Cranswick

Cranswick, a leading UK-based food producer, hosted its Capital Markets Day in March, offering a detailed update on strategy, financial performance, and outlook. To give some context, we think it is important to look back to help build an investment case on what the future might look like. 2025 marks Cranswick's 50th anniversary, and we believe the business is primed for the next 50 years. Since the company's 1985 IPO – with revenue of £35m and profit of £350,000 – FY25 is on track for £2.75bn in revenue and £190m in profit. Over the past decade, revenue, profit, EPS, and dividends have grown at a 10-13% CAGR, while shares outstanding have been tightly controlled, growing at only 1% CAGR over the same period. Management unveiled upgraded medium-term financial targets, signalling confidence in Cranswick's operational model and market position. The operating margin target rose to 7.5% (from 6.0%), reflecting improved profitability from efficiencies and a favourable product mix. Return on Capital Employed (ROCE) was lifted to the "upper teens" from the mid-teens, underscoring disciplined capital allocation and robust returns.

We found the update encouraging and were particularly impressed with the quality of management driving Cranswick's evolution into a resilient, high-performing food producer with a clear growth framework. The revised targets reflect its ability to navigate a competitive landscape through vertical integration and strategic investments. While the immediate market reaction was muted, Cranswick's strong fundamentals, diversified portfolio, and cash-generative model position it well for sustained profitable growth. Investors will likely watch execution against these targets closely, especially amid economic uncertainties like inflation and trade dynamics, in the months ahead.

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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.