

Manager view

The UK equity market experienced a moderate recovery in May 2025, with the FTSE All-Share Index rising by 4.1%, though it underperformed compared to other developed markets like the US and Europe. Performance was driven by improving consumer sentiment and easing trade tensions, particularly following a UK-US tariff agreement that sees a 10% baseline tariff applied to most UK goods entering the US. In addition, there has been progress in US-EU trade negotiations and a temporary delay in US tariff hikes. However, sectors such as consumer staples, healthcare and utilities lagged due to pressures from President Trump's drug-pricing reforms and rising UK bond yields, which reduced the appeal of dividend-paying stocks. The market was further supported by a robust first-quarter earnings season globally, with positive spillovers to UK equities, though persistent inflation and competitive pricing challenges limited gains in some sectors.

Despite the positive momentum, the UK market faced challenges from domestic and global headwinds. The Autumn Budget's tax increases, including a hike in National Insurance contributions and a 6.7% rise in the minimum wage, raised concerns about inflationary pressures, potentially delaying further Bank of England (BoE) rate cuts. The composite PMI for April had already signalled economic contraction at 48.2, reflecting trade uncertainties and higher domestic taxes, which carried into May. However, the UK's relatively stable regulatory environment and anticipated rate cuts from the BoE provided a cautiously optimistic backdrop for investors.

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.



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.

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Company news

Compass Group

Global catering services supplier Compass Group announced its interim results for the six months ending 31 March 2025, demonstrating continued strong performance in this growing end market. The group reported a 9.7% increase in operating profit, driven by organic revenue growth of 8.5% and an improvement in underlying operating margin to 7.2%. This growth was supported by robust net new business wins, particularly in the US and Europe, with sectors like healthcare and education showing resilience. Underlying operating cash flow remained strong at \$1.3 billion, enabling \$750 million worth of investment in capital expenditure and accretive M&A, alongside \$600 million returned to shareholders via dividends and share buybacks. These results highlight Compass's ability to leverage its increasing scale and operational efficiency to capitalise on outsourcing trends in the \$330 billion food services market.

Management maintained its FY25 guidance of high-single-digit operating profit growth, organic revenue growth above 7.5% and further margin expansion. A focus on strategic investments, including digital transformation and sector-specific solutions, positions the company to sustain long-term growth in core end markets. Despite inflationary pressures, Compass's pricing discipline and operational agility have supported consistent client retention and new contract wins. The capital allocation strategy continues to support growth through capital expenditure and bolt-on acquisitions, with a commitment to returning surplus capital to shareholders.

Diploma

Diploma, a global supplier of specialised technical products and services, delivered robust preliminary results for the year ending 31 March 2025, underscoring its strong growth trajectory and operational efficiency. The company reported a 14% increase in revenue to £1.4 billion, driven by 7% organic growth and significant contributions from strategic acquisitions, including Windy City Wire and Peerless Aerospace, which enhanced its Controls and Seals segments. Underlying operating profit rose by 18% to £301 million, with the operating margin improving to a record 21.5%, reflecting effective cost discipline and a focus on high-value, niche products. These results highlight Diploma's ability to capitalise on resilient demand across its diversified end markets, including industrial, aerospace and energy, despite macroeconomic headwinds.

Looking ahead, Diploma remains confident in its outlook, underpinned by a disciplined capital allocation strategy that balances organic investment, bolt-on acquisitions and shareholder returns. Supported by strong cash generation, the company proposed a 6% increase in its full-year dividend to 58.9p per share. Its three-sector model – Controls, Seals and Life Sciences – continues to drive diversified growth, with North America and Europe performing strongly, though currency fluctuations and inflationary pressures pose ongoing challenges. Diploma's focus on high-margin, specialised products and its scalable operating model position it well for continued outperformance, with management targeting mid-to-high-single-digit organic revenue growth for 2026.

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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.

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