

Manager view

During the month UK equities posted modest gains but lagged their global peers, with the FTSE All-Share advancing modestly, weighed by persistent domestic economic headwinds and mixed monetary policy signals. The FTSE 100 reached new highs early in the month, buoyed by strength in defensive sectors such as mining and banking, but was constrained by hawkish Bank of England messaging and stubbornly high inflation. Overall, UK equities continue to trade at a discount to their historical averages, bolstered by attractive dividend yields and share buybacks. However, investor caution persisted amid elevated political uncertainty emanating from the October 2024 Budget's inflationary impacts – higher National Insurance contributions and a 6.7% minimum wage increase – which continue to weigh on consumer-facing sectors.

Economically, the UK presented a mixed picture in August. On the one hand, GDP growth exceeded expectations in Q2, with a 0.3% quarterly increase and a 1.2% year-on-year rise positioning the UK as the fastest-growing G7 economy for the first half of 2025. On the other hand, inflation remains stubbornly high, with CPI inflation reaching 3.8% in July – well above the Bank of England's 2% target. Despite this, the Bank cut interest rates to 4%, marking the fifth reduction since the peak of 5.25%, aiming to balance inflation control with economic support. However, hopes for further interest rate cuts were tempered, reflecting uncertainty over the UK's broader growth prospects ahead of the November Budget and a softening labour market.

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

Hill & Smith

Infrastructure specialist Hill & Smith reported strong interim results for the six months ending June 30 2025. Revenue was up by 4%, profit by 11% and dividend by 9%. In addition, the operating profit margin expanded by 80bps to 17%. This was all underpinned by the company's highly cash-generative business model, which has historically delivered 99% cash conversion, while return on invested capital increased by 280bps to 24.8%.

These results demonstrate the progress under newish CEO Rutger Helbing and reinforce Hill & Smith's growth trajectory and opportunity set in the US market. This is underpinned by the \$1.2 trillion Infrastructure Investment and Jobs Act (IIJA), which has boosted demand for galvanising services and engineered solutions like steel substation structures and composite infrastructure systems. Typically, management drives growth via a blend of organic and bolt-on M&A, which adds capability and or geographic expansion. Management has multiple ongoing discussions with potential M&A candidates, which should position the business to capitalise on infrastructure spending capacity. The company's £100 million share buyback programme, initiated earlier than expected, reflects robust cash flow and confidence in sustained operational execution, despite foreign exchange headwinds.

Bunzl

Bunzl, a specialist international distributor of mission-critical products, also reported its interim results for the six months ended June 30 2025. Revenue was up marginally, by 0.8%, despite a challenging operating environment. Adjusted operating profit fell 11.2% to £404.5 million, with the operating margin declining from 8.0% to 7.0%, primarily due to challenges in North America and Continental Europe. Management announced a 0.5% increase in the interim dividend and, importantly, resumed its £200 million share buyback programme, with £86 million remaining to be completed in the second half of the year. Management also completed five acquisitions, with a committed spend of £120 million, including Quindesur in Spain and Guantes Internacionales in Mexico, supporting the company's growth strategy.

Despite the profit decline, Bunzl reiterated its FY25 outlook, expecting moderate revenue growth driven by acquisitions and broadly flat underlying revenue, with the group operating margin projected to be moderately below 8.0% for the year. The company highlighted progress in addressing operational challenges, particularly in North America, where leadership changes and cost-saving measures are showing early positive results, although the full benefits may not materialise until 2026. Performance in Europe was impacted by deflation and a weak market in France, but improvements were noted in Benelux. We remain optimistic about Bunzl's resilient business model, which is supported by strong cash flow (97% cash conversion) and an active acquisition pipeline, positioning the company for improved performance in the second half of 2025 and long-term sustainable growth.

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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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