

Manager view

The UK equity market delivered strong performance in October. Supported by a weaker pound, which boosted the earnings outlook for internationally exposed businesses, the FTSE 100 touched record highs, exceeding 9,600. Meanwhile, the US equity market also rallied, with the S&P 500 and NASDAQ hitting new highs, driven by the technology sector and continuing enthusiasm around AI. The Federal Reserve cut rates by 25 basis points, ending quantitative tightening, though Chair Jerome Powell maintained a cautious tone. US economic data showed signs of slowing, including weaker manufacturing and labour market data, partly due to the government shutdown. Despite these headwinds, mega-cap technology stocks continued to perform, reinforcing market concentration concerns. The divergence between UK and US market drivers – currency effects and interest rate expectations in the UK versus tech momentum and Fed monetary policy in the US – highlighted differing macro dynamics.

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.

Company news

Microsoft

Microsoft's Q1 FY2026 update saw robust growth, with revenue and profit rising 18% and 22% respectively – exceeding analyst estimates. In addition, the company returned \$10.7 billion to shareholders through dividends and share buybacks during the quarter. Capital expenditure was \$35 billion, exceeding prior guidance and reflecting heavy investment in AI infrastructure. CEO Satya Nadella indicated that capital expenditure growth will accelerate further in FY2026 to meet rising demand for cloud and AI services. Notably, Microsoft – founded in 1975 – remains a preferred and trusted supplier for chief technology officers tasked with building their companies' digital ecosystems and AI capabilities. This update reflects Microsoft's enduring competitive advantage via a wide economic moat anchored in high switching costs and network effects from its integrated Windows-Office-Azure ecosystem.



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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Games Workshop

We visited Games Workshop's offices and factory during the month and came away with the impression that this continues to be a well-managed organisation with great heritage and a significant growth roadmap ahead. It has a strong and arguably enduring competitive advantage that has enormous potential for sustainable growth as long as the business stays true to its DNA. As the Chairman wrote in the company's annual report: "Our mission is to make the best fantasy miniatures in the world, to engage and inspire our customers and to sell our products globally for a profit. We intend to do this forever. Our 'forever' ethos is fundamental – we take decisions for the long term, not to make next week's numbers look good."

It is worth noting that Games Workshop controls every aspect of its product lifecycle, from design and manufacturing to distribution and retail – allowing the company to maintain high margins and brand integrity. Competitive advantage lies in proprietary intellectual property, a passionate and engaged global fanbase and an immersive ecosystem that includes tabletop games, novels, digital content and licensed media. Game Workshop's Warhammer stores act as recruitment hubs for new hobbyists, creating a loyal customer base that is willing to pay premium prices for high-quality, collectible products.

What does this all mean in terms of economics? Games Workshop has grown its revenue from around £118 million in 2015 to over £617 million in 2025, with operating profit rising from £16.9 million to £262.8 million, while the dividend has grown from 65p to 520p. The coming years hold strong promise, with revenue, profits and dividends poised for substantial growth as the company expands into new territories and intensifies its focus on digital content and gaming. Progress may not be entirely linear, but this remains a high-calibre enterprise. While not cheap, the shares offer an appealing yield of above 3%. Other attractions include robust growth prospects, a healthy return on invested capital and a solid foothold in the FTSE 100 – bolstered by a market capitalisation of around £5 billion.

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