

## SVS Dowgate Wealth UK Small Cap Growth Fund Monthly Commentary: 31 May 2022

### PERFORMANCE

UK equities moved lower through April, led by smaller companies which underperformed larger stocks for the month. Oil prices moved higher on the month and the yield on the 10 year gilt traded up to a 5 year high of 2.1% as the market became more concerned over persistent inflation and higher rates. The fund returned -3.73% during the month.

The best performers on the month were **Homeserve** where a £12 per share bid was confirmed by Brookfield infrastructure, **Auction Technology**, the digital auction house marketplace which increased their revenue guidance for the year on the back of a strong H1 and **Big Technologies**, the remote monitoring technology business who also indicated they were tracking ahead of their full year estimates.

The worst performers for the month were **Beeks Financial Cloud**, the cloud infrastructure provider to the financial services industry, **AB Dynamics** a leading specialist in automotive test systems and **Franchise Brands** a collection of leading franchise business led by Stephen Hemsley as they all gave back strong results from the prior month.

### PORTFOLIO ACTIVITY

Since the fund launched we have made progress investing the funds, taking positions in 65 companies with around 20% of the fund held in cash. During the month we started two new holdings in **Gamma Communications** and **Dr Martens** both of which are companies with good medium-term prospects whose valuations have contracted considerably over the last 6-8 months, both have strong international revenue streams and an ability to protect margins for a period of continued high-cost inflation.

### INVESTMENT OUTLOOK

There appears to be a widening divergence between what a broad range of UK companies are saying about their near term prospects

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(largely bullish and upbeat) and the economic commentary from the investment community who are generally bearish and concerned of a looming recession. Generally speaking Economists don't make good forecasters and while there is no doubt of the mounting headwinds to equity markets one must remember that over the longer term the best asset class to protect investors from sustained high inflation has been equities. As longer term investors we find this an extremely attractive hunting ground for new investment and we remained focused on discovering and investing in excellent businesses with great management teams who have the flexibility and ability to pass on cost inflation, sustain margins and grow their businesses over the long term.



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We believe the information provided here is reliable but should not be assumed to be accurate or complete.

### All information accurate as at 31 May 2022

The Key Investor Information Documents (KIID's) and the Prospectuses for all funds are available, in English, free of charge and can be obtained directly using the contact details in this document. They can also be downloaded from:

<https://dowgatewealth.co.uk/fund-management-new/>

An investor must always read these before investing.