

## SVS Dowgate Wealth European Growth Fund Monthly Commentary: 30 June 2022

### PERFORMANCE

European equities moved sharply lower during the month as investors evaluated the increasing risk of recession. This was driven by the news of weakening consumer demand against a backdrop of ongoing wage and cost inflation, increasing interest rates, covid shutdowns in China and the continuing conflict in Ukraine. The Fund returned -8.08% (net income reinvested, GBP) during the month. This was broadly in line with large and micro caps, which fared better than small caps.

The best performers over the month were Danish pharmaceutical group **Novo Nordisk** (partnership with Echosens to advance the early diagnosis of non-alcoholic steatohepatitis (NASH)), French software developer **Axway Software** (no meaningful news, ongoing share buyback), Norwegian self storage operator **Self Storage Group** (property acquisition in Esbjerg, Denmark), Swedish fastener manufacturer and distributor **Bulten** (supportive valuation despite weaker automotive production figures), and French LNG and hydrogen technology provider **GTT** (several order wins for both LNG and hydrogen technologies).

The worst performers over the month were Danish kitchen manufacturer **TCM** (continued concern of weaker consumer demand), Swedish balcony manufacturer **Balco** (change of CEO, concern of weaker order intake), German semiconductor manufacturer **Elmos** (weak automotive sales data and worries of industry oversupply), Spanish pool equipment **Fluidra** (concerns that profit guidance will be difficult to meet), and French recruiter **Synergie** (slowdown in temporary labour growth).

### PORTFOLIO ACTIVITY

Trading activity was subdued throughout the month given the ongoing volatility in the market. The fund started a position in Swiss wireless chipset supplier **U-Blox** (strong demand driven by the Internet of Things, improving backlog visibility which should sustain rising prices). We sold out of Swedish balcony manufacturer **Balco** (see above).

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### INVESTMENT OUTLOOK

Currently, there is a high level of short-term uncertainty as investors and markets try to assess the likelihood of a recession and how long it could last. Inflation has remained stubbornly high however we now see early indicators that this could roll over. The feedback from management teams is that inventory levels are building, including in semiconductors where there had been significant shortages. In recent weeks the price of copper, generally a leading indicator of industrial activity has pulled back from recent highs. Oil prices have also started to come off recent highs.

During these uncertain times, we remain focused on our core strategy, to invest in the well-managed growth companies that are undervalued. There may be short-term setbacks but looking through this, these well-managed companies should be able to take market share and deliver earnings growth beyond these short-term fluctuations.



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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 30 June 2022

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

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