

## SVS Dowgate Wealth European Growth Fund Monthly Commentary: 31 August 2022

### PERFORMANCE

European equities across the market cap spectrum declined during the month as investors weighed up the impact of persistent inflation, the prospect of further interest rate hikes and energy prices at all-time highs. The Fund returned -5.24% (net income reinvested, GBP) during the month.

The best performers over the month were Swiss wireless chipset supplier **U-Blox** (strong order book visibility driving guidance upgrade), Swedish waterproofing company **Nordic Waterproofing** (disclosure by Kingspan), French software developer **Axway Software** (strong momentum of new subscription contracts), Norwegian self-storage operator **Self Storage Group** (strong occupancy levels and further acquisition in Sweden), and Swedish communications equipment and services provider Ericsson (improved outlook from US peers).

The worst performers over the month were Danish IT services business **Netcompany** (weak profit impacted by one-off cost changes) Finnish sauna manufacturer **Harvia** (decline in organic revenue as demand situation normalises), Danish building materials group **H+H International** (rising inflation delaying construction starts), Italian appliance component manufacturer **Sabaf** (reduction in guidance from end customers), and Danish hearing aid manufacturer **Demant** (signs of slowing demand in the near term).

### PORTFOLIO ACTIVITY

There was minimal portfolio activity during the month.

### INVESTMENT OUTLOOK

With investors starting to look towards the outlook for 2023, there is increasing consensus of a slowdown in GDP growth and potentially a recession. Inflation driven by higher energy prices, amongst other factors, could lead to weaker demand, weighing on company earnings for the foreseeable future. This provides opportunities for companies with healthy balance sheets to strengthen their market position for future growth through acquisitions

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at attractive valuations. The recent strengthening of the US Dollar has also helped to boost the earnings of European exporters and those with Dollar earnings. Throughout the current turbulence, there remain good opportunities to take a position in well-managed companies at inexpensive levels.

Source: *Bloomberg*



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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 August 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>

An investor must always read these before investing.