

SVS Dowgate Wealth European Growth Fund Monthly Commentary: 30 September 2022

PERFORMANCE

European equities accelerated their decline during the month, especially in smaller companies. This acceleration was driven by several factors, including continued interest rate hikes from central banks, a reduction in GDP growth estimates and concerns about weaker consumer sentiment for the foreseeable future. The Fund returned -10.44% (net income reinvested, GBP) during the month, in line with the small and micro-cap segment of the market.

The best performers over the month were Italian loudspeaker producer **B&C Speakers** (strong recovery in demand, especially in relation to live events), Swedish mobile game developer **Stillfront** (shares previously oversold), Swedish telecom fibre solutions provider **Hexatronic** (additional bolt-on acquisitions continue to enhance the offering), Irish agri-services business **Origin Enterprises** (excellent conditions for critical planting period), and French graphite manufacturer **Mersen** (resilient demand for their products in solar and EV).

The worst performers over the month were French seeds and plants grower **Graines Voltz** (reduction in guidance due to slower demand from unseasonably hot summer), Danish kitchen manufacturer **TCM Group** (risk of further downgrades on uncertain market conditions), Swedish telecoms software developer **Enea** (ongoing delays to customer investment decisions), Swedish executive education group **BTS Group** (selling off on high valuation levels), and Swedish wireless switch manufacturer **Plejd** (concern a slowdown in construction levels could impact growth).

PORTFOLIO ACTIVITY

During the month, the Fund exited **Embracer** (divergence of strategy following an acquisition in a non-core business). We started positions in several companies, including Swedish component manufacturer and distributor **Bufab** (increasing supply chain complexity and pricing power should drive earnings growth) and French intelligent

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home solutions provider **Somfy** (current share price undervalues the company's substantial market share and growth prospects in Asia).

INVESTMENT OUTLOOK

The speed of interest rate increases from central banks coupled with weakening industry and consumer sentiment means investors are reassessing both earnings outlook and valuation levels. Until there is some certainty on these factors, investor sentiment will remain weak. Despite this, we focus on companies with strong management teams and business models. This means they can navigate their way through these difficult months. This volatile market represents an excellent opportunity to find new high-quality investments at attractive valuations.

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 30 September 2022

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

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