

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

### PERFORMANCE

European equities recovered some of the losses from the previous month. The Fund returned +4.65% (net income reinvested, GBP) during the month, in line with the small-cap segment of the market and better than the large-cap and micro-cap segments.

The best performers over the month were Swedish telecom fibre solutions provider **Hexatronic** (strong organic growth continues, no signs of a slowdown in orders), French plumbing wholesaler **Thermador Groupe** (diversity of product range and focus on repair and renovation providing revenue stability), German gas spring manufacturer **Stabilus** (improving sentiment from peers), German semiconductor designer **Elmos** (improving investor sentiment off the back of resilient automotive supplier results) and Swedish executive education group **BTS Group** (previously oversold).

The worst performers over the month were Swiss wireless chipset supplier **U-Blox** (concerns of a slowdown in demand after weaker outlook from semiconductor manufacturers, despite maintaining guidance), Spanish pool equipment manufacturer **Fluidra** (downgraded to guidance due to destocking as the market normalises), French software developer and reseller **Visiativ** (concerns of a slowdown in SME spending despite maintaining 2022 guidance), Swedish mobile game developer **Stillfront** (slower growth seen across the industry) and French software developer **Axway Software** (organic decline in sales as customers transition to subscription models).

### PORTFOLIO ACTIVITY

During the month, the fund added to several positions, including Greek IT software group **Epsilon Net** (should continue to benefit from EU spending on digitalisation in Greece) and Danish financial software provider **Simcorp** (scope to grow through converting existing clients to subscription models).

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### INVESTMENT OUTLOOK

The bulk of the third-quarter trading statement has now been published. Although there is general concern about the macro environment and demand velocity, most companies delivered good results. There is a slowdown in demand in some segments, especially those who were beneficiaries of Covid-19. However, valuations and estimates have seen downward revisions over the past few months. Still, it seems like there is a sentiment change as valuations are now reflective of recent company guidance. Although energy in the cost equation is still hard to decipher, spot prices in Europe have been on a downward trend which is supportive of stabilisation in GDP. While there are moving variables as we enter a period of higher interest rates, there are high-quality companies that are undervalued, providing us with attractive investment opportunities.

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 October 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.