

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

PERFORMANCE

UK equities rose in October as the UK indices parred some gains from the previous month. Stability was restored in the UK following a brief, but painful political drama. Gilt yields fell substantially towards the end of the month, whilst sterling rallied. The fund was up 0.16% for the month.

Our best performers were **Watches of Switzerland**, which has been rallying ahead of its November trading update, **Alpha FX**, which guided for profits to be materially ahead of expectations as a result of the higher interest rate environment generating additional income from their overnight cash balances, and **AB Dynamics**, whose directors have been accumulating shares in the month.

We gave some ground up in **Saietta**, which disappointed us by downgrading revenue forecasts, as they are focusing their efforts on larger, more profitable contracts. **GB Group** fell after the bid by PE firm **GTCR** falling through, and **Kistos** fell as European gas prices fell on the back of unseasonably warm weather throughout Europe.

PORTFOLIO ACTIVITY

Following the weaker performance at the start of the month, we spent much of the month investing our cash balances, adding to our higher conviction holdings to become fully invested. We initiated new positions in discount online broker **AJ Bell**, chipmaker **Sondrell**, Shipbroker **Clarksons** and industrial services business, **Crestchic**.

INVESTMENT OUTLOOK

We felt a sentiment change towards UK equities, as it has begun to feel as if things had stopped getting worse, at least for the time being. Meanwhile, valuations are starting to look very attractive; the UK Price to Earnings relative to the rest of the

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world fell to levels only last seen in the early 90's on black Wednesday, when the UK fell out of the ERM. While the UK economy has its challenges, including, but not limited to, the higher tax burden the new government is likely to apply to UK companies, we believe the recent stabilisation in the political environment, fall in energy costs and borrowing costs, may well be enough to encourage the UK's discount to the ROW to begin to close.



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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

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

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