

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

### PERFORMANCE

European equities continued to rally as investors looked for signs of easing cost pressures that could prompt central banks to slow their pace of interest rate increases. The Fund returned +5.7% (net income reinvested, GBP) during the month, slightly behind the large and small-cap segments and better than the micro-cap segment.

The best performers over the month were French intelligent home solutions provider **Somfy** (cash bid from founding family at 21% premium), Danish Jewellery retailer **Pandora** (full year guidance maintained), Finnish sauna manufacturer **Harvia** (resilient margins despite softer sales), German semiconductor manufacturer **Elmos** (raised guidance after continued demand growth in automotive) and Danish IT services business **Netcompany** (improved profitability following a softer beginning of the year).

The worst performers over the month were Swedish mobile game developer **Stillfront** (potential closure of Bangladesh operations due to online gaming restrictions), Spanish pharmaceutical group **Rovi** (weaker earnings outlook as covid vaccine-related sales wind down), Norwegian self-storage operator **Self Storage Group** (higher cost weighing on profit), Danish building materials group **H+H** (concerns of a reduction in volumes as construction activity slows) and Portuguese cork producer **Corticeira Amorim** (higher cost base taking time to pass through to end customers).

### PORTFOLIO ACTIVITY

During the month, the fund added to several positions, including German IT software group **SAP** (continuing cloud transition undervalued) and Swedish casting technology business **Sintercast** (installation pipeline and future production volume growth undervalued). The Fund started a position in Spanish bank **Bankinter** (conservatively managed bank focusing on high-net-worth clients that will benefit from higher interest rates and loan book growth).

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### INVESTMENT OUTLOOK

The feedback from recent management meetings is that next year will likely be a more challenging year for many companies. However, there are a wide range of scenarios for the coming year. Indicators such as softening input prices and loosening supply chains could provide some upside to next year's initial outlook despite being mindful of consumer and business sentiment. Higher interest rates and elevated levels of inflation are not yet fully reflected in the economy, and these are key headwinds that will determine the progress of company earnings in the short term. These uncertain times can create good entry opportunities in well management companies 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 November 2022

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

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