

SVS Dowgate Wealth UK Small Cap Growth Fund Monthly Commentary: 30 November 2022

PERFORMANCE

The fund had a good November, as it rose nearly 7% for the month. Equities rallied as inflation indicators started to roll over in the US. The dollar weakened across the board, and sterling rallied from 1.14 to 1.21.

Our best contributors were **Wandisco**, **Watches of Switzerland** and **Kainos**, whilst our biggest detractors were **GB Group**, **Tribal** and **Frontier Developments**.

PORTFOLIO ACTIVITY

During the month, we started with a meaningful position in **Argentex Group** following an earnings beat and raise, and subsequent share price fall. **Argentex** is an FX business with a management change story; the Co-CEO/founders who floated the business in 2019 wanted to take the business in separate directions, specifically around the investment in technology. The new team has taken a more proactive approach to such investment, which we believe will bring longer term benefits, and lead to a re-rating. On top of this, we are enthused by the much more conservative approach of the new finance team offering the potential for upgrades, including the potential to get paid higher interest rates on customer cash.

INVESTMENT OUTLOOK

There are two parts to the equity puzzle; 1) the estimated earnings power or free cash flow generation ability of a business or index, and 2) the discount rate at which we bring those cash flows to their present value. It is becoming clearer that part of that puzzle has been solved, as inflation and interest rate expectations appear to have peaked. Now, the market is likely to re-focus on earnings estimates into the new year, which are starting to become more and more uncertain given the deteriorating,

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forward-looking indicators. However, bear markets end when the markets start to look through these tough earnings estimates, and it is these periods that offer the greatest potential for future long-term capital growth.

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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