

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

PERFORMANCE

European equities moved lower throughout April, driven by several uncertainties, including the ongoing situation in Ukraine, concerns about persistent inflation, increasing interest rates and their effects on consumer sentiment. The losses in small and microcaps outpaced that of the larger segment of the market. The Fund returned -2.51% (net income reinvested, GBP) during the month

The best performers over the month were Danish electrical wholesaler **Solar** (new strategy exceeding expectations, 2022 guidance upgraded), French LNG technology provider **GTT** (strong order intake, anticipated increase in demand as Europe looks for alternative LNG supplies), Swedish telecom fibre solutions provider **Hexatronic** (exceptional demand from the USA and UK), Italian gas valve producer **Sabaf** (reassuring demand and actions taken to mitigate cost inflation), and Swedish executive education group **BTS Group** (CEO of North America acceding to Group CEO).

The worst performers over the month were Swedish telecoms software developer **Enea** (delays to new business puts 2022 profitability at risk), Italian boiler component & smart meter manufacturer **SIT**, alongside Danish kitchen manufacturer **TCM Group** had no news. Still, they moved lower on cost inflation concerns and weaker consumer sentiment. Lastly, Swedish game developers **Embracer** and **Stillfront** (negative sentiment towards consumer discretionary spending and more challenging customer acquisition).

PORTFOLIO ACTIVITY

Since the Fund launch, we have made good progress, taking meaningful positions in 61 companies. Companies within the top 10 holdings of the Fund include Spanish travel IT provider **Amadeus** (compelling offering for investment constrained customers, strong market position and improving travel environment), Swedish cash handling provider **Loomis** (high barriers to entry, ongoing normalisation of cash usage and mid-term potential from digital offering), German gas spring manufacturer **Stabilus** (strong market position means they can pass on cost

15 Fetter Lane, London, EC4A 1BW

Phone: +44 (0)20 3416 9143

Email: funds@dowgate.co.uk

inflation, increasing penetration of powered tailgate solution), and Swedish telecom fibre solutions provider **Hexatronic** (solution significantly reduces installation time for customers, fibre to the home penetration in the US, UK and Germany are still at low double-digit levels requiring substantial future investment).

INVESTMENT OUTLOOK

As Global economies continue to establish a new baseline following the unprecedented effects of the Covid pandemic, there will continue to be meaningful supply and demand fluctuations. Investors are cautious about European equities given significant cost inflation, especially as companies report their performance so far in 2022 and lay out expectations for the remainder of the year.

However, this represents an attractive investment opportunity for the Fund as we look beyond the short-term uncertainty and focus on quality growth. We are looking for businesses with the ability to pass on cost increases or innovative management teams who can mitigate them. At month-end, the Fund's current cash position was just over 27%, which puts the Fund on an excellent footing to take advantage of the current market situation.



Will Searle, CFA
Lead Fund Manager

Will.Searle@dowgate.co.uk

+44 (0) 20 3416 9140

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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 April 2022

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

An investor must always read these before investing.