

SVS Dowgate Wealth European Growth Fund Monthly Commentary: 31 May 2022

PERFORMANCE

European equities were roughly flat throughout May as markets digested the latest actions and commentary from central banks. Small and microcaps finished the month in negative territory compared to the larger segment of the market. The Fund returned +0.93% (net income reinvested, GBP) during the month.

The best performers over the month were Swedish computer game developer and publisher **Embracer** (results in line, previous acquisition Asmodee performing better than expected), Swedish mobile game developer **Stillfront** (anticipating organic growth for 2022 despite previous headwinds), Italian boiler component and smart meter manufacturer **SIT** (stable growth and profitability, guiding for growth in 2022), German gas spring manufacturer **Stabilus** (strong demand for automated tailgate system – Powerise in Asia), and Italian electronics retailer **Unieuro** (sales growth despite ongoing uncertainties).

The worst performers over the month were Danish electrical wholesaler **Solar** (retracing share price spike at the end of April), Danish Jewellery retailer **Pandora** (concerns of input cost increases and weaker consumer sentiment), Italian temporary recruitment agency **Openjob** (investor concerns that unemployment rates could increase), Swedish balcony manufacturer **Balco** (delays to permit approvals), and Swiss pharmaceutical company **Roche** (disappointing trial result from promising new drug class).

PORTFOLIO ACTIVITY

During the month we started a position in Danish IT services business **Netcompany** (latest acquisition, Intrasoft provides a good opportunity to drive organic growth and improved profitability in Europe) and Danish building materials group **H+H** (continued need to improve housing supply will drive future growth, while pricing power can maintain profitability). We also added to the Fund's position in Swedish computer game developer and publisher **Embracer** (acquisitions improving profitability and earnings diversification).

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INVESTMENT OUTLOOK

As high inflation rates remain persistent, Central Banks have been increasing interest rates led by the US and the ECB likely to follow. It remains to be seen how increasing interest rates will ultimately affect GDP growth given various other uncertainties that continue such as the Ukrainian war, Covid shutdowns in China and volatile supply chains. Over the next few months, we should start to get more insight from management teams as to their expectations for the remainder of the year.

Our strategy is to focus on well-managed growth businesses that are undervalued compared to those future growth prospects. Although there is short-term uncertainty, valuations are at attractive levels. We continue to focus on our strategy and hold companies that can ultimately deliver growth for the longer term.



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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 May 2022

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

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