MONTHLY INVESTMENT COMMENTARY

The Biggest Game in the World

FROM THE PORTFOLIO MANAGER

The Deepest Market in the World

The biggest sporting event in the world is being held in North America this year. The FIFA World Cup is taking over screens around the globe through the middle of July, and I have no idea which country's footballers will be anointed champions. France, Spain, England and Argentina were the favorites going into the tournament. Time will tell who wins the tournament. I do know that if they were handing out trophies for the deepest capital markets, the United States would win going away. In the past month, US markets easily digested record issuance from a few of the big AI players at a scale that is jaw-dropping. Alphabet (Google's parent company) raised ~$80 billion overnight, and SpaceX raised ~$75 billion just a few days later. These are shockingly large numbers, and there is more in the pipeline. It speaks to a core tenet of our investment strategy: the US financial markets represent the best opportunities in the world. The AI tsunami we have been involved with for just over three years now continues to power the move — and the volatility.

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THE INVESTMENT CASE

Is It a Bubble?

The question on everyone's mind now is, "Is it a bubble?" Yes, of course it is — and that is not big news. The market is always overreacting to good news and bad. In fact, there is almost always a bubble in something; it is in the very nature of capitalism to produce extremes. Sometimes there is a bubble in fear. Other times there is a bubble in optimism. The winds are always blowing in one direction or another, and there are rarely large road signs telling us where we are on that continuum. The trick is to avoid getting swept up in the hype and to stay grounded in the facts. It is not an easy task. Mistakes are inevitable. It is, and always will be, the way.

PORTFOLIO POSITIONING

Reflecting at the Halfway Point

We are now at the halfway mark of 2026. Given the volatility the portfolio has weathered this year, we are holding our own — but we have some wood to chop over the next six months. Going into July, you will notice a bit more cash in the portfolio than usual. The recent run has provided opportunities to reposition and to take some profits.

Overall, the portfolio performance has been decent, but there is always room for improvement. The new HIM proprietary machine learning tools are showing great promise. Performance has been affected by our ongoing commitment to the software sector. Despite continued uncertainty about the future of software in an AI-coded world, software remains essential. AI can do a great many things, but where the stakes are high, it is still worth the money to have systems designed and maintained by professionals. That sentiment has been echoed across the pantheon of AI luminaries. We remain steadfast, and we are paying close attention to what the companies we own in the sector are saying and doing.

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