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September 2026
Ashburton Global Equity Growth Fund

Quarterly Investment Commentary

Global equity markets returned 1.6% in the third quarter of 2026. Strong earnings momentum continued through the second quarter, supported by the Technology sector, however, investor uncertainty remained elevated due to a continuation of the Iran/US war and fears that AI spending will not be met with higher returns for enterprises. The Global Equity Growth Fund returned 0.2% in the third quarter, underperforming both the MSCI All World Index and global equity growth peers. However, the Fund remains ahead of both the Index and peers year to date.

The top contributors to performance were e.l.f. Beauty, SAP, and Rubrik. e.l.f. Beauty delivered strong gains as the company has significantly reduced its sourcing risks by shifting nearly 60% of its production footprint outside of China. In addition, e.l.f's growth has accelerated through the acquisition of Rhode skincare and through expanding its retail presence internationally, to 20% of sales with the expectation that this will continue to grow.

SAP's performance was driven by the rapid adoption of its S/4HANA Cloud platform among enterprise customers, supported by growing demand for its AI-powered solutions such as Joule, which have become increasingly important in securing major customer contracts. In addition, the quarter saw better performance from the software sector as second quarter earnings remained resilient despite fears that AI poses a threat to software companies business models.

Rubrik also generated exceptional returns, benefiting from strong demand for data resilience and cybersecurity solutions, which drove a 38% increase in quarterly revenue. In addition, in the third quarter, Cybersecurity stocks were strong performers as AI agents increasingly pose a threat to the security of IT systems of enterprises globally.

The weakest performers were Samsung Electronics, Axon Enterprise, and Vertiv Holdings. Samsung faced pressure in the third quarter after very strong performance in the first half driven by the strength of the semiconductor memory market. The memory market remains in tight supply however fears of a slowdown in hyperscale infrastructure spending and the widespread use of risky leveraged 2x ETFs on memory stocks dampened sentiment. Samsung has recently released an earnings update reporting a nearly nine-fold rise in third quarter operating profit and we continue to believe the company is undervalued.

Axon Enterprise reported strong second quarter revenue and raised full year sales guidance although kept its margin guidance flat. This raised concerns of overinvestment and higher component costs, however we expect the investments to support future growth of this niche Company in law enforcement.

Despite benefiting from strong demand linked to AI data-centre expansion, Vertiv reported sales growth that was below expectations. However, management has described the shortfall as timing shifts of project execution and temporary supply chain dynamics which does not change our longer-term outlook for the company.

The Fund initiated a new position during the quarter in Bloom Energy. Bloom Energy is a key beneficiary of rising demand for power and the AI rollout. Its solid-oxide fuel cells are an attractive alternative for on-site electricity generation due to their rapid time to market, reliability and sustainability. Bloom Energy has been in operation for 25 years however for most of this time fuel cells have been in the background as secondary power solutions primarily for back-up. That has now changed to more widespread commercial adoption due to the energy transition, ageing grid infrastructure and the data-centre roll out. The company is growing rapidly with strong operating leverage and a robust backlog with major hyperscalers adopting its solutions.

We believe markets are likely to continue "climbing the wall of worry", supported by a generally resilient macroeconomic backdrop and sustained corporate earnings growth. The key question for investors, in our view, is whether the adoption of AI can translate into a durable and broad-based improvement in free cash flow generation across the corporate sector over the coming quarters, thereby validating current investment expectations. At the same time, we remain attentive to potential sources of volatility. With the US midterm elections approaching and geopolitical tensions in the Middle East remaining elevated, we will continue to assess whether these developments have the potential to materially alter the economic and market outlook. Accordingly, portfolio positioning remains guided by a cautiously optimistic stance, balanced by a disciplined focus on risk management and capital preservation.

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