Montaka Global Fund

June 2026

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Insights

Quarterly Update: Q2 2026

June 30, 2026

- Andrew Macken

To read the PDF version of our Q2 2026 update, please click here . Extreme mispricings have built up in markets today, and Montaka is positioned for their reversal. A relatively small group of historically cyclical stocks - largely tied to semiconductors and commodities - have driven the overwhelming share of index returns over the past year. Meanwhile, many of the world's most durably advantaged businesses, with dominant positions in large addressable markets, are priced for overly conservative expectations - far below what we believe they will deliver. We remain resolutely focused on the latter. Periods during which such market inefficiencies build tend to result in unflattering relative performance for Montaka, such as in 2022. Yet, history shows that a reversal can translate into enormous gains, such as in 2023 and 2024. This is the essence of Montaka's approach - a concentrated portfolio of high-conviction, long-duration, competitively advantaged businesses - bought while prices remain attractive. We firmly believe this approach will deliver investors excess returns over the long term. Performance Deconstruction While Montaka delivered positive returns in the June quarter, performance over the last 12-month period was materially negative - driven overwhelmingly by the declines experienced in the March quarter related to the 'SaaSpocalypse' (the selloff in software and AI-exposed names). We shared our detailed analysis of this selloff, and why we believe many competitively advantaged businesses have been drastically oversold in our most recent whitepaper: Where Advantages Lie (and Lie) in the Age of AI . Declines in ServiceNow, Microsoft, KKR, Salesforce and Meta Platforms were among the largest detractors from portfolio performance over the 12 months. Partially offsetting these were gains in Alphabet, MongoDB and TSMC. And yet, the businesses themselves had an excellent year - even as their stock prices did not. On a look-through basis (aggregating financials across our underlying holdings), Montaka's portfolio earnings power continued to grow at annual percentage rates in the teens. Only the market's willingness to pay for those earnings fell - as the chart below illustrates - and substantially explains Montaka's absolute performance over the period. This gives us significant confidence. Over the long-term, earnings power is the dominant driver of company valuation. Over the shorter-term, multiples routinely move around based on market narratives, investor psychology, and fashionable trades. Portfolio Weighted 'Look-Through' Earnings vs Valuation Multiple Source: Montaka, Bloomberg, Tegus, Company Filings | Note: Analysis based on portfolio weightings of 11% Amazon, 11% Microsoft, 9.5% Meta Platforms, 8.5% Alphabet, 8% KKR, 6% ServiceNow, 6% Tencent, 5.5% Salesforce, 5% Floor & Decor, 4.5% Spotify, 4% Blackstone, 4% S&P Global, 4% Mastercard, 4% MongoDB, 4% DoorDash, 3% Visa, 2% Unity Software. The portfolio weightings have been developed by Montaka to provide an indicative portfolio based on companies held at May 2026 publishing quarterly earnings data. The indicative portfolio does not represent actual Montaka portfolio weightings at any point in time during the analysis period. The analysis uses constant portfolio weightings throughout the period. Analysis based on Montaka's adjusted analysis of each company's revenue, operating income and enterprise value using company published financial information. Relative performance is also a function of the broader market indices Montaka is measured against. Over the last 12 months, the MSCI World Total Return Index delivered 21% and the S&P 500 delivered returns of 22%, both in USD terms. The most significant characteristic of this annual performance was an extreme, narrow contribution from a small group of historically cyclical stocks. Metals & mining stocks rose 60% [1] on average, while semiconductor stocks rose 170% [2] on average. One stock, Sandisk, rose more than 4,900% over the 12 months! Meanwhile, software stocks were down and financials were approximately flat, on average. [3] iShares Semiconductor ETF (SOXX) Source: Bloomberg Market Outlook Today's starting point appears very stark to us. We see significant downside risk in many stocks that have rallied, and significant upside risk in many that haven't. Montaka's strategy - owning competitively advantaged businesses that reliably grow their earnings power in large addressable markets - could not compete with the 'bottleneck trades' (short-term trades benefitting from supply constraints) that were so fashionable and clearly delivered over the last 12 months. Over the longer term, however, we believe Montaka's strategy will deliver investors excess returns above market indices. On semiconductors, implicit assumptions underpinning some of the extreme moves in stocks include the idea that AI models will keep getting larger, and that demand for compute is largely insensitive to cost. Yet, recent data points [4] show rapidly growing adoption of smaller, cheaper (and often free) AI models, in place of expensive, well-known Western models. Smaller models need less compute and storage infrastructure to run, meaning the very large capital investments (capex) hyperscalers are currently making, would, in principle, go a lot further if they were used to serve smaller models. Any hint of capex downgrades by hyperscalers would likely be read as a strongly negative signal indicator for the elevated semiconductor and commodity stocks tied to the data centre buildout. On the other side of the market are some of the world's highest quality businesses which have been overlooked during the semiconductor-mania. Take Visa and Mastercard, for example. Both are extraordinarily advantaged businesses and have consistently grown annual revenues at double-digit percentage rates for many years. And in our view, strong growth will likely continue - driven by new value-added services attached to their payment networks (related to stablecoins, agentic commerce, fraud detection, and other data services) which are growing at even faster rates. Yet, on Montaka's analysis, the current stock prices of Visa and Mastercard are pricing in future revenue growth of only around 4% per annum - well below what we expect to materialise. This represents a great investment opportunity, in our view. We see numerous examples today of advantaged businesses being overlooked by a market focused elsewhere, and include a case study on Salesforce in this Quarterly Letter as one such example. We believe these mispricings will ultimately reverse, and Montaka is positioned accordingly. Geopolitics, Politics, and Economics We are living in a period in which the global economy and many global markets are tied to the direction the political winds are blowing. And as any follower of global politics will know all too well: the winds can change quickly. Wars evolving, though accelerated defence spending here to stay Geopolitically, the picture remains fluid - from the Middle East to Eastern Europe - but the direction of travel on defence spending is not: governments globally are rearming. We appear to be amidst some kind of resolution to the wars in Iran and Lebanon. In Ukraine, remarkably, Russia has lost its momentum. Ukraine has extended its reach inside Russian borders - already disrupting nearly one-third of Russia's oil refining capacity. [5] If nothing else, recent history (as with much of the past) shows that confident predictions of large-power dominance rarely hold. We find ourselves in a global race to rearm and build up defences - which, ironically, may be the very dynamic that keeps more of a global peace going forward. It is on this basis that Montaka continues to see investment opportunity in global defence contractor BAE Systems. Politics fragmenting and populism thriving Global politics is not just being shaped by national security challenges. Democracies are fragmenting worldwide as traditional centrist parties lose votes to populists on both extremes. Germany, France, the Netherlands and Austria have been trending this way for years; in the UK, support for right-wing Reform - and the more extreme Restore - has grown steadily since Brexit; in Australia, One Nation's rise in the polls over the last year has been one of the most notable developments in national politics in a generation. To date, the favoured flavour of populism in many places appears to be of the right-wing variety. But rising affordability pressures, extreme inequality, and a brewing backlash against AI are planting the seeds of left-wing populism [6] - a dynamic with direct bearing on the politics of the AI buildout, which we turn to next. AI backlash is coming Few would disagree that AI is a revolutionary technology which has the potential to benefit humanity greatly. But as an increasing number of technologists become billionaires - and one now a trillionaire - while most feel like they are going backwards, the politics of AI are beginning to sour. Here is a version of the bind that many politicians find themselves in today: On the one hand, they are being asked to approve (and in some cases fund) the data centres driving up prices for generation, transmission and distribution equipment - costs that often flow through to household and business electricity bills. This comes as electricity prices and mortgage rates are already elevated- feeding the politically-potent affordability and inequality concerns around the world. It also comes as fears of AI-driven job losses (i.e., disruption to employment) are rising. "So why are we building this stuff?" - is the question many constituents are starting to ask. Consider that, just last month, a University of Texas poll found that in Texas - one of the most active states for new data centre construction in the US - people who oppose the construction of a data centre in their community outnumber those who don't by a ratio of 2:1. [7] Yet these same politicians fear that without massive investment in data centres, their economies will fall behind competitively - not to mention the national security risks that follow from adversaries having superior AI capabilities. And to make matters more precarious, the lion's share of GDP growth in the world's largest economy (the US) is now tied directly to the data centre build out - putting at risk the near-term economic growth model should anything slow it down. For allied politicians outside of the US, there is an additional degree of difficulty. They must now weigh the willingness of a current or future US administration to cut off access to US technology at critical moments - as happened in June, when a US government order forced Anthropic to suspend non-US access to one of its most advanced AI models. [8] The AI buildout may become bumpy These are complex problems, especially in a world of rising populism, political fragmentation, and declining global cooperation. This means predictability is far lower than it was over recent decades - and the world wasn't particularly predictable then either. The AI build-out could easily be disrupted by politics, or by the very technology itself - if, for example, small-model adoption drives a temporary excess in computing and memory capacity, discussed above. Either of these could spark a major reversal in the tech-hardware rotation that has left so many competitively advantaged businesses overlooked today. Portfolio Positioning In the June quarter, Montaka made some targeted changes to the portfolio. We substantially increased our investments in Visa and Mastercard on the basis described above. We see a major mispricing here: as the probability of strong growth increases, valuations have fallen to unusually low levels as the market remains focused on semiconductor stocks. We funded these investments by trimming TSMC and Alphabet, both of which have run up materially in recent months. We also exited Spotify after making good money in this opportunity over many years. Montaka closed the June quarter with the following key exposures. * * * In the June quarter, we were delighted to welcome David Costello to Montaka as a Portfolio Manager. David joins with significant investing experience, most recently from Magellan, where his team managed more than $15 billion in assets. Montaka's investment team - including those based Stateside - also convened in Sydney in May to hold our annual retreat. This was an opportunity for the team to step back and review our processes, identify learnings, and propose evolutions as we seek to continually improve the investment capability of our team. Markets have rarely made such a clear distinction between price and value as they have over the past 12 months - and we believe that gap will close. Montaka remains concentrated in the advantaged, durable businesses we believe the market is mispricing today, and patient for the reversal we expect to follow. We are grateful for your continued patience and partnership as we pursue this opportunity, and remain very optimistic for Montaka's future investment returns. Sincerely, Andrew Macken [1] Based on State Street SPDR S&P Metals & Mining ETF (XME). Sourced from Bloomberg. [2] Based on iShares Semiconductor ETF (SOXX). Sourced from Bloomberg. [3] Based on S&P 500 sector and sub-sector returns. Sourced from Bloomberg. [4] (NYT) Chinese A.I. Models Close the Gap With Anthropic and OpenAI, June 2026 [5] (WSJ) Putin Faces a Political Crisis as Fuel Shortages Ripple Through Russia, June 2026 [6] (The Australian) US Democrats at 'war' as parties go to extremes, June 2026 [7] (The Texas Tribune) Data centers not welcome: New poll shows most Texans oppose them in their communities, June 2026 [8] (Reuters) Anthropic disables top-tier AI models after US order limiting foreign access, June 2026 performance. Past performance is not an indicator of future performance. Returns are not guaranteed and so the value of an investment may rise or fall. This document has been prepared for the purpose of providing general information, without taking account your particular objectives, financial circumstances or needs. You should obtain and consider a copy of the Product Disclosure Statement (PDS) relating to the Fund before making a decision to invest. The PDS and Target Market Determination are available on this webpage: https://montaka.com/mglof/

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