OYAT ADVISORS – QUARTERLY COMMENTARY

2Q 2026

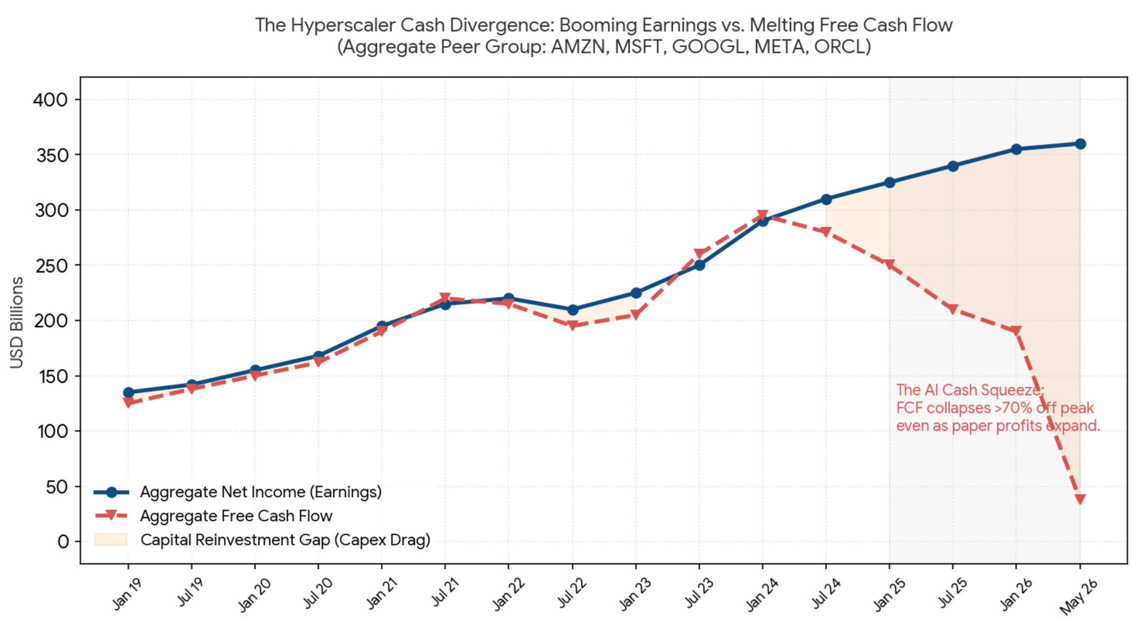
<u>Investment landscape</u>

The current investment landscape remains dominated by the advent of artificial intelligence (AI), which continues to shape capital markets to a degree that few other forces have in recent memory. Let us assess this development by looking at a number of distinct groups of companies.

Starting with the so-called 'hyperscalers' – the massive cloud service providers that operate global datacenters (i.e. Alphabet, Amazon, Meta, Microsoft, and Oracle). These companies are currently experiencing very strong earnings growth, expected to surge some 15-20% year-on-year (yoy) in 2026 on the back of explosive cloud expansion and ad revenue. That's the good news which, up until recently, investors have been focused on.

But beneath the surface, a rather different dynamic is unfolding. These same hyperscalers are currently undertaking one of the largest capital investment cycles in corporate history, and are expected to spend over USD 700 billion in 2026, the overwhelming majority of it directed at AI infrastructure. The AI buildout is expected to absorb another USD 1 trillion in 2027, or just shy of 3% of U.S. GDP.

As a result, free cash flow generation is trending down hard, with capital expenditures rising to consume the near totality of cash generated by operations – something that would have seemed inconceivable for these companies just a few years ago. Towards the end of the quarter, this dislocation between reported earnings and free cash flow increasingly troubled investors – who are observing these companies rapidly transform from asset-light cash flow machines into something potentially quite different – which started pressuring their stock prices.



<u>Source</u>: BCA Research

On the other hand, the clear near-term beneficiaries of this investment surge are the providers of AI infrastructure themselves – semiconductor manufacturers, memory producers and datacenter infrastructure suppliers (e.g. GPUs, high-bandwidth memory, networking silicon, transformers, cooling, power, etc.). For these companies, strong demand combined with supply constraints has created a perfect storm, which is expected to propel earnings higher by more than 70% yoy, on average. This has sent these companies' stock prices soaring, with memory producers leading the charge with gains ranging from 200 to 400% ytd, closely followed by broader semiconductor manufacturers and data center infrastructure suppliers posting returns of about 100%, on average. But investors would be prudent to recognize the cyclical and therefore temporary nature of current business conditions, and not extrapolate such earnings – let alone growth rates – ad infinitum, as some of these companies' stock prices seem to imply.

Then there are the main perceived casualties of the rise of AI, as measured by their stock price performance so far this year. These have been centered on enterprise & application software (such as Intuit, Workday, Adobe, and Salesforce), general management and IT consulting (including Accenture, Capgemini, and Cognizant), professional services such as payroll and recruitment (Automatic Data Processing, Paychex, and Robert Half among them), and to a lesser extent, commercial real estate and wealth management. Without any exaggeration, some of the derating in these sub-sectors has been brutal, while for the most part, the actual negative impact of AI adoption on these firms' financial performance has yet to manifest itself. Predictably, this is the group of companies that has interested us the most, as we've endeavored to assess the potential risk/return asymmetry of many of these investment opportunities in recent months.

Overall, while the global race to build out AI infrastructure is unquestionably boosting economic growth today, it is also fraught with dangers, and several of them warrant close attention.

For starters, one can point to global AI-related corporate debt issuance, which is expected to exceed USD 500 billion in 2026, more than doubling yoy. This surge is already starting to create frictions in the corporate debt market, with the credit default swaps (CDS) spreads of several issuers widening significantly.

More importantly, it is also crucial to recognize that much of the AI-related earnings and GDP growth we are currently experiencing is, for lack of a better word, illusory. As we already highlighted in our 3Q25 commentary, a substantial share of capital flows in the AI ecosystem takes the form of so-called 'circular financing' – arrangements that typically blend equity and debt with supplier-client contracts. In its latest annual report, the Bank for International Settlements (BIS) forewarns as follows:

> *'Hyperscalers, chip makers and AI labs are linked through a complex web of private arrangements. The most prominent is circular financing: chip makers and hyperscalers take equity stakes in AI labs or [cloud] providers, who in turn commit to multi-year purchases of chips or computing power. Data center construction is increasingly outsourced to third parties that lease facilities back to hyperscalers on long-dated contracts with embedded exit clauses. The terms of such deals are typically poorly disclosed, with risks of the same asset being pledged multiple times. Together, such arrangements account for a sizeable share of sector-wide financing and forward revenue.'*

And by far the most significant uncertainty relates to whether AI can ultimately generate substantial productivity gains and improve efficiency across industries; the extent to which these can effectively be monetized; and whether the ultimate returns justify the enormous capital investments currently being undertaken. On this point – the question on which so much of the current market narrative ultimately rests – the BIS is equally direct:

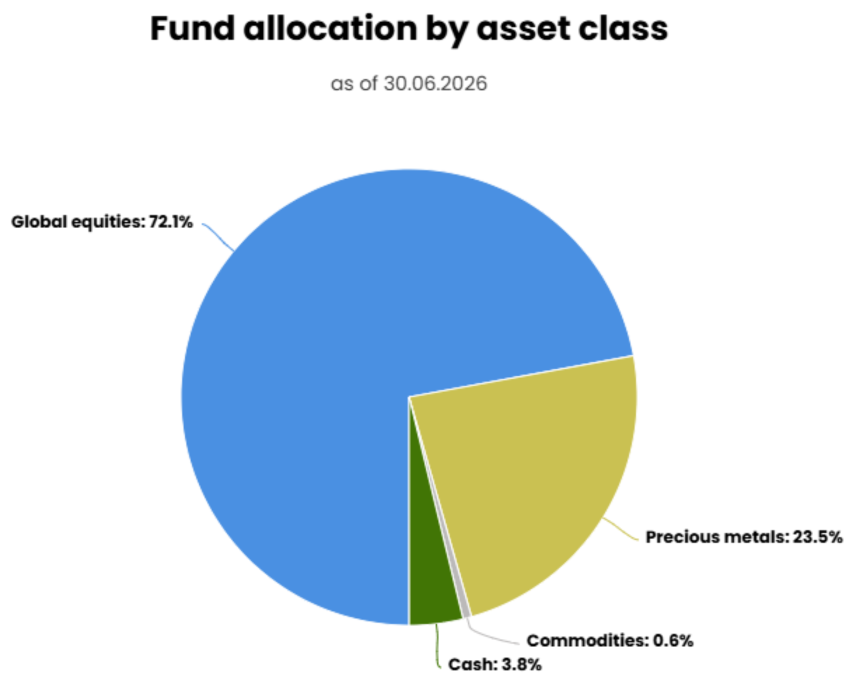
> *'Disappointment in returns could trigger a sudden pullback in financing and turn the capex boom into a protracted investment bust, with potential knock-on effects on financial conditions.'*

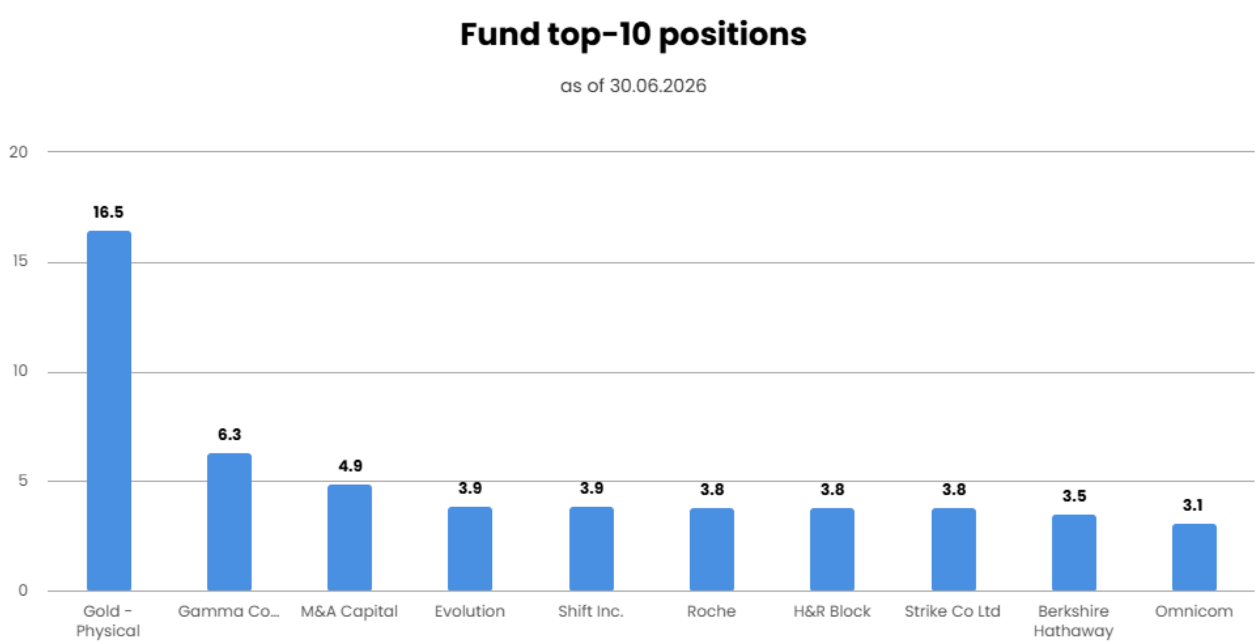
Elsewhere in the same report, the BIS is blunter still, cautioning that a repricing of risk – whether triggered by higher interest rates or an AI bust – has the potential to prove as disruptive as the Great Financial Crisis of 2008 or the liquidity squeeze of March 2020, capable of triggering a significant tightening of financial conditions across markets.

We share this guarded outlook. None of the above is meant to deny that AI represents a genuine, and potentially transformative, technology – it plainly does. But the picture that emerges is one of an investment boom that is potentially running ahead of itself. As stewards of irreplaceable savings, our duty is not necessarily to participate in every phase of the boom, but rather to weigh the prices we are asked to pay against the cash flows a business can realistically deliver – mindful that the largest capital cycles in history have a habit of ending in ways few anticipate at their peak. As such, we continue to position the Fund's assets with our ultimate objective in mind: the long-term preservation and appreciation of capital in real terms.

Asset allocation

The graphs below display the Oyat Investment Fund's allocation of capital across asset classes, as well as the Fund's top-10 positions:





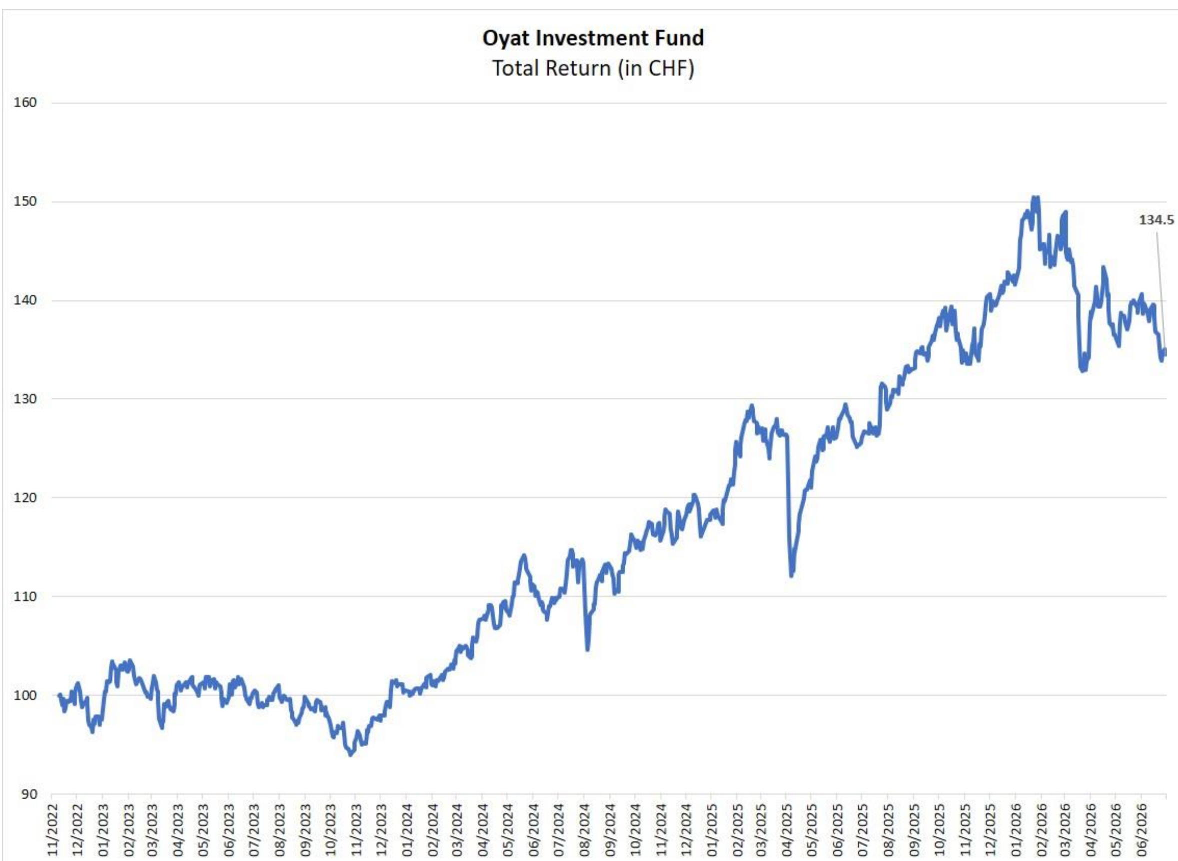
Performance

Performance and risk metrics as of June 30, 2026, in CHF

	Oyat Investment Fund	MSCI World	Lipper Global Equity
2026	-5.0%	11.9%	9.3%
2025	19.7%	6.3%	5.6%
2024	17.7%	28.3%	15.7%
2023	3.0%	13.2%	8.3%
2022*	-2.4%	-5.0%	n/a
3 months	-2.5%	14.3%	12.1%
1 year	6.8%	23.4%	17.6%
3 years p.a.	10.2%	15.7%	10.1%
Since inception	34.5%	63.0%	n/a
Since inception p.a.	8.5%	14.4%	n/a
Standard deviation	9.7%	12.3%	13.4%
Sharpe ratio	**1.05**	1.28	0.75
Beta	0.40	1.00	n/a

**Inception Date: November 10, 2022* *Source: Swiss Fund Data, LSEG*

Risk metrics are based on 3-year trailing data, Sharpe ratio using a 0% risk-free rate



In the second quarter of 2026, the Oyat Investment Fund returned -2.5% in CHF.

Since inception, the Fund's total annualized return stands at 8.5% in CHF.

Let us now briefly discuss some of the Fund's main performance contributors and detractors this past quarter. Please note that all return figures discussed below are in Swiss francs (CHF), unless stated otherwise.

Novo Nordisk's shares started to recover during the second quarter of 2026, increasing by over 35% from highly depressed levels. This was driven by the company's first quarter earnings report, where a massive revenue and earnings beat – almost entirely driven by a one-time U.S. pricing provision reversal – prompted management to narrow its full-year guidance to a more optimistic 4% to 12% drop in sales and adjusted operating profit. The upward momentum was fundamentally sustained by surging international volume growth for its GLP-1 weight-loss therapy Wegovy, the high-profile launch of the cash-pay Wegovy HD variant in the U.S., as well as a DKK 15 billion share buyback program, the pace of which accelerated throughout the quarter.

Quants Research Institute Holdings – formerly known as M&A Research Institute Holdings – saw its stock price experience significant volatility during the quarter, nearly doubling in May, before moderating throughout June. Overall, the stock was up nearly 50% in the second quarter, as a result of a good interim report which showcased a resumption of strong growth. In the first half of fiscal 2026, revenues surged by 34% yoy to hit JPY 10.30 billion, driven by an explosive second quarter which saw revenues jump by 62% yoy. Investor enthusiasm was further boosted by management's simultaneous announcement of a very sizable JPY 3.8 billion share buyback program to repurchase up to nearly 8% of outstanding shares.

H&R Block is one of the perceived AI casualties that we initiated a position in throughout the first quarter of 2026, and the company wasted no time reminding everyone that its business isn't being made obsolete in a hurry, as it reported its third quarter results which cover the vital tax season performance. Quarterly revenues outperformed expectations with a 5% yoy increase to reach USD 2.4 billion, while diluted earnings per share surged nearly 12% yoy, also beating consensus estimates. Importantly, the latest data showed a steady market share retention in the assisted tax preparation category, as well as solid pricing power. Investor enthusiasm was amplified by the firm's robust capital return framework, which paired a newly-declared USD 0.32 per share quarterly dividend with USD 150 million in share buybacks during the quarter alone – effectively reducing the outstanding share count by roughly 7% so far this fiscal year.

Other positive performance contributors included M&A Capital, Evolution, and Gamma Communications, which remains engaged in negotiations for a potential takeover.

Moving on to the less positive news and performance detractors.

Gold has declined by approximately 13% in the second quarter, putting its ytd performance at about -5%, an unusual outcome given the elevated geopolitical tensions that have historically supported it. The catalyst clearly appears to have been the Middle East conflict, whose energy shock lifted inflation expectations and therefore increased real yields and the opportunity cost of owning gold. Meanwhile, rising inflationary pressures have also reduced the prospects of interest rate cuts in the near-term. Moreover, following a 100%+ rally since early 2025, the market was ripe for some profit-taking (as our Fund did), and in March central banks compounded the move by turning net sellers, as Turkey, India, and others drew on reserves to defend their currencies.

We read this weakness as cyclical rather than structural. Central banks returned to net buying within a month – led by Poland, and perhaps most importantly China – which speaks to long-term reserve diversification rather than opportunistic trading. The other pillars of the investment case for gold remain unchanged: G7 fiscal deficits keep widening, and debt levels are growing at a relentless rate; geopolitical fragmentation appears to be deepening further; and inflation is once again trending upward. Volatility notwithstanding, we see nothing fundamental in recent developments that would put back into question our view that gold is gradually re-establishing itself as a pillar of the global monetary system, and a very worthwhile portfolio holding for us at this stage. Having said that, as described in previous commentaries, our overall exposure to precious metals has declined meaningfully, from nearly 34% of total assets at its peak in 3Q25 to less than 24% today, following a number of sales over recent quarters, as well as price declines.

Cognizant Technology Solutions, the IT consultancy company, was also a notable performance detractor, as AI-related concerns and near-term growth headwinds overshadowed otherwise resilient results. On the operational front, the company delivered a stable start to the year, with first quarter revenues rising 6% yoy to USD 5.4 billion, while adjusted diluted EPS grew 14% to USD 1.40, beating consensus estimates. Commercial momentum also remained visible, highlighted by a 21% surge in quarterly bookings driven by several large-scale deals. However, these operational achievements were heavily undercut by a cautious forward outlook and the costly realities of its corporate transformation. Management's soft second quarter revenue guidance pointed to a significant contraction in discretionary IT spending across key financial services and communications verticals. Furthermore, while the newly launched restructuring plan aims to optimize the business for AI-led efficiencies, it carries a heavy burden of up to USD 320 million in upfront severance and restructuring charges, dragging down operating margins by 110 basis points. This tension between steady current execution and fears over AI disruption ultimately triggered a sharp drop in stock price, which declined by nearly 40% throughout the quarter.

PageGroup also continued on its seemingly endless decline in stock price, as structural macroeconomic headwinds and cautious hiring across Europe continued to obscure localized pockets of growth. Operationally, the global recruitment firm showcased some elements of cyclical resilience in its latest trading update, containing the decline in gross profit to less than 5% to reach GBP 187 million. A key operational bright spot emerged in efficiency metrics, with fee-earner productivity increasing by 2% yoy, as well as certain high-growth regions including Asia-Pacific and the U.S. However, these structural strengths were ultimately overshadowed by a pervasive deceleration in European employment markets and tightening client conversion rates, including in its domestic UK market, as well as in France and Germany – where macro uncertainty continued to extend corporate time-to-hire cycles and choked off lucrative permanent placements. As a result, the stock declined by another 20% throughout the quarter.

Other negative performance contributors included Jeronimo Martins, Royal Gold, and Franco-Nevada.

Trading activity throughout the quarter included the divestment of our position in Macbee Planet Inc., the small Japanese company engaged in providing services that help corporate entities increase the efficiency of their advertising spending. Regrettably, our investment case on this company did not play out as expected, and instead our worst-case scenario materialized, with customer concentration risk pressuring results as the firm's largest customers cut back on spending. Additionally, collecting receivables from these few large customers appeared to become increasingly difficult, further straining Macbee's position. In the end, we decided to fully divest of our small position in the company, and refocus on more attractive opportunities within the small-cap space instead.

A number of lessons were learned from this unsuccessful investment, which cost us approximately 1.5-2.0% in performance overall. Firstly, while the Fund is committed to investing a measured portion of assets in small-sized companies – which represents a less efficient segment of the market containing a number of firms typically growing faster than the overall market – we've placed an added emphasis on making sure that such investment opportunities satisfy our requirement in terms of durability. This refers to the level of confidence that we can have for a given business to maintain its competitive position and financial performance over time. With hindsight, Macbee did not fully pass that test. Second, we have decided to tighten our total risk budgets, especially for such investment opportunities in the small-cap space. While we had remained disciplined with the size of our position in Macbee – therefore limiting losses – we feel that even more caution is warranted in certain cases involving small companies with novel business offering whose staying power is yet to be determined. Lastly, we also increased our minimum liquidity thresholds for potential investments, recognizing the fact that steep drawdowns in stock prices can massively impact the liquidity profile of such small-cap companies.

We initiated a new position in Paycom Software, a leading provider of human capital management (HCM) software that serves U.S. small and mid-sized businesses through its proprietary platform spanning payroll and HR management. The investment thesis rests on Paycom's fundamental profile – including return levels that consistently exceed 30%, historically rapid (though now decelerating) organic revenue growth, recurring revenues with retention rates of at least 90%, and cash flow conversion expected to improve materially now that a heavy AI-related capex cycle is coming to an end. Paycom is positioned as a first-mover on AI in HCM through products like Beti and IWant, which will likely deepen client stickiness, lower switching costs for prospective customers, and turn the industry-wide 'AI risk' narrative into an opportunity to gain market share. On valuation, a discounted cash flow analysis (adjusted for stock-based compensation) implies a fair value close to USD 180 per share, implying a material undervaluation and justifying the initiation of a small position in the Fund.

We also initiated a new position in Kinsale Capital Group, the only pure-play, publicly listed excess and surplus (E&S) lines insurer in the U.S., which underwrites hard-to-place property, casualty, and specialty risks for small- to-mid-sized accounts. Our thesis rests on what we see as a number of durable competitive advantages: proprietary in-house technology, unrivaled cost leadership, and most importantly a highly disciplined underwriting culture. Together, these strengths have led Kinsale to grow at a faster pace than peers, achieve superior levels of return on equity, and therefore compound its book value at a rapid pace. Kinsale also carries a strong balance sheet with minimal net debt and conservative reserving, and is run with an owner-operator mindset by founder-CEO Michael Kehoe. The main concern is decelerating growth, which has slowed meaningfully in 2025 amid a softening market and commercial-property pricing pressure. With an estimated fair value of around USD 470 per share, Kinsale is a best-in-class insurance company now offering perhaps its first attractive entry point in nearly a decade, which led us to initiate a small position in the Fund.

As always, we would like to thank our investors for their continuing trust in Oyat Advisors.

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