



# TRIUMPH

## ASSET MANAGEMENT

### Owning the Earnings

The portfolio gained approximately 2% in August, bringing us to roughly 5% for the year.

From a headline perspective, August offered no shortage of reasons to sell. The trajectory of US federal debt continues to raise legitimate questions about inflation. The ongoing conflict with Iran, the supply shock it forced on oil, and the Canada/US trade war were not in anyone's model at the start of the year. And the rhetoric around earnings season was, on balance, negative. ***We were pleased to climb against that backdrop rather than in the absence of it.***

With the quarter now fully reported, it is worth setting the commentary aside and looking at what our core holdings actually delivered.

| Holding            | Quarter | Revenue YoY | Adj EPS YoY |
|--------------------|---------|-------------|-------------|
| Microsoft          | FQ4 '26 | +18%        | ~+22%       |
| Alphabet           | Q2 '26  | +24%        | +23%        |
| Amazon             | Q2 '26  | +20%        | +17%        |
| Meta Platforms     | Q2 '26  | +28%        | -13%        |
| Apple              | FQ3 '26 | +16%        | +22%        |
| Nvidia             | FQ2 '27 | +106%       | +111%       |
| JPMorgan Chase     | Q2 '26  | +15%*       | +24%        |
| Berkshire Hathaway | Q2 '26  | +10%        | +16%**      |
| Mastercard         | Q2 '26  | +14%        | +21%        |
| Visa               | FQ3 '26 | +14%        | +11%        |

\* Excluding significant items; reported managed revenue rose 28%. \*\* Growth in operating earnings. Adjusted EPS is the company-reported non-GAAP figure where available; GAAP results this quarter were distorted by large one-time investment gains at Alphabet, Amazon and JPMorgan.

***Seven of these ten grew adjusted earnings between 16% and 24%. The median is roughly 22%, and as a group our core holdings compounded earnings at about 20% year over year. The portfolio is up 5%.*** That gap is the single most important fact about our year, and it deserves a direct explanation.

There are only two explanations for a gap like that, and they lead to very different conclusions. Either the earnings are not real, or the market is simply not paying for them yet. ***This is not an earnings failure. It is multiple compression, and its cause is the market repricing capital expenditure.*** Alphabet guided full-year capex to \$205 billion and posted negative free cash flow. Meta guided to as much as \$145 billion and watched quarterly free cash flow fall to \$784 million, from \$8.5 billion a

year earlier. Investors have been unwilling to pay a normal multiple for earnings that arrive alongside cash flow of that shape.

But the revenue on the other side of that spending is very real. **AWS grew 37%, its fastest since 2021. Azure accelerated to 43% and crossed \$100 billion in annual revenue. Google Cloud grew 82%.** The capital these companies are deploying is not a cost to fear. It is the plant and equipment of the next decade, and the cloud results are the first evidence that it earns its keep.

Two things held us back. The first was Meta. Its advertising business performed, with revenue up 28%, but reported earnings fell 13% on a \$2.4 billion legal charge and \$1.18 billion of severance. Meta reports on a GAAP basis, so those one-time items flow straight through the number; stripped of them, the underlying business is intact. The company is simply spending at hyperscaler scale without a hyperscaler revenue line to point to, by choice. **We continue to hold it, and we watch it closely.** The second was semiconductors. We were right about the capital cycle and early on the vehicle. The spend showed up in the suppliers' income statements first, as it always does, and we did not own enough of them.

What worked was hard assets. **Gold miners rose nearly 33% in the month and copper miners almost 18%, and energy remains our strongest performer of the year.** We established these as a hedge against precisely the fiscal concerns above. In August they stopped behaving like a hedge and started behaving like a position.

We are not dismissive of the macro. But portfolios positioned around macro forecasts underperform portfolios positioned around earnings power, and we would rather own the second. **We remain fully invested and we remain bullish.** The gap between what our companies earn and what the market currently pays for those earnings is, in our view, the opportunity in this portfolio rather than a mark against it.

We hold that view for one reason, and it is the oldest reason there is. **Eventually, stock prices reflect the profitability of the businesses underneath them.** We maintain our optimism, we thank you for your continued trust, and we look forward to next month's communication.

Sincerely,

Steven Tuchner  
Founder & CIO