TRIUMPH
ASSET MANAGEMENT

Pedal to the Meta-l

“Pedal to the metal” is an old racing expression from the days when the floor of a car was bare steel, and a driver who wanted everything the engine had would push the accelerator down until it touched the floor. While the fundamentals of all our holdings signal open roads ahead, the emergence of Macro “speed bumps” throttled back our progress in September. Despite this, one of our holdings managed to “floor it”, propelling us ahead of the pack.

For the month, the Fund was up approximately +0.6% (versus the Market -0.6%) and is now up nearly +6% for the year. The conflict with Iran continued to push oil prices higher, which stoked fears of inflation, and in the middle of the month the Federal Reserve raised interest rates for the first time since 2023. Higher rates reduce the value of most financial assets, and we felt it in our financials, where JPMorgan, Mastercard and Visa each declined between 5% and 7%, and in consumer stocks such as Amazon, which was down 4%.

The reason we finished in the green was Meta, **which rose nearly 27% in September.** In last month’s letter I named Meta as opportune, noting that it was spending at hyperscaler scale without a hyperscaler revenue line to point to. A few weeks later the company launched Muse, a personal AI agent that can send emails, shop and book travel on a user’s behalf, and it went straight to the top of the app charts at a price of $20 or $100 per month. In other words, Meta now has the beginnings of the revenue line the Market was asking for, and a stock that traded at less than 14x forward earnings in June was repriced in a matter of weeks.

Meta’s move is worth dwelling on because of how our portfolio is built. The bulk of our capital is concentrated in nine names, and while that concentration can test our patience when those names are out of favour, it also means the Fund can turn very quickly when the Market changes its mind. Meta went from being one of our problems in August to our best performer in September, and it is our belief that most of our other holdings are set up the same way.
Amazon is the best example. Its share price has barely moved this year, despite the company growing its revenue by 20% last quarter to more than $200 billion, with AWS growing 37% (its fastest pace in more than four years), advertising growing 26% and the retail business growing roughly 15%. Demand for AI computing continues to skyrocket, with Amazon’s AI business now running at more than $25 billion of annual revenue and growing at triple-digit rates. On top of all this sits something that is rarely discussed, namely that Amazon, Microsoft and Alphabet have made a fortune investing in OpenAI and Anthropic.

Estimated value of stakes in Anthropic and OpenAI

	Value of stakes	Per share	Share price (Sept 30)	% of share price
Amazon	$427 billion	$39	$249	16%
Microsoft	$355 billion	$48	$513	9%
Alphabet	$280 billion	$23	$344	7%
Combined	**$1.06 trillion**			

By our estimate these stakes are worth more than $1 trillion combined, and in Amazon's case roughly $40 per share, or about 16% of its share price. **In fact, we estimate that Amazon has made more on these two investments than it has spent on capital expenditures in 2024 and 2025 combined.** The Market has punished these companies for their spending and has given them almost no credit for the return on it.

While we still trail the S&P 500 on the year, we gained ground in September, we are catching up, and we are happy with both our positions and our relative position.

We remain fully invested and highly constructive on the balance of the year, and ***we are pleased to note that October has started well, with the Fund up more than 2% at the time of writing.*** We thank you for your continued support and look forward to next month's communication. With nine great companies under the hood and plenty of road ahead, we intend to keep our foot firmly on the accelerator!

Sincerely,

Steven Tuchner
Founder & CIO

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