Growth Equity Strategy – Q2/2026

Dear Partners,

Investing environment

The first half of 2026 is behind us. It has been tumultuous and glorious at the same time; The draw down in Q1, triggered by the Iran War, was followed by a steep rally in Q2. However, the market rally in Q2 was driven by a narrow selection of stocks as well as riskier 2nd and 3rd liners, indicating growing investor euphoria.

The biggest gains were made in Q2 in stocks of providers of memory chips and semiconductor equipment, while software stocks continued to suffer. The ongoing narrative that AI would create ever greater demand for semiconductors, while destroying the business model for software saw a dramatic acceleration. Even though some software companies will face disruption from AI, not all software businesses are equal, and some will be net beneficiaries of AI. Hence, a selective approach will be needed. Please find more details of our views on that subject in our Q1/2026 update.

The parabolic rise of the commodity-type of segments of the Semiconductor Sector, particularly the 2nd and 3rd liners therein, raises the question of how sustainable this rally can be. What's more, the excesses seen in Q2 provide additional fuel for an intensifying debate about being in a bubble and when it might burst. We do not believe that the bubble is about to burst just yet, but particular care and selectivity will be required. Please find more details in our CIO Comment of May 22, 2026.

Portfolio performance & portfolio activity

The portfolio rebounded strongly in Q2/2026. The main drivers the Q2-result were again the healthy overweight in semiconductor, cyber security and communications stocks. The best performers were Applied Materials, Tokyo Electron and Fortinet, and which were all up between 88% and 113% in Q2 alone.

Software stocks continued to underperform in Q2/2026, but the refocusing of our software portfolio on the strongest business models in 2026 started to bear fruit in Q2, resulting as our software holdings outperformed their sub-sector. The main driver here was Fortinet, but also the names that we added to performed much better than the ones we exited during the quarter.

This said, while the portfolio benefited from the above trends, the strong performance of 2nd and 3rd liner stocks, was a head wind for high quality portfolios like ours in Q2. Particularly the parabolic rise of some no-names in Asian Semiconductors and industrials catering to the Semi-industry should be a concern to investors.

Portfolio activity (Q2/2026)

Initiation/Increase	
SAP	Increase position
Booking	Increase position
Zscaler	Increase position
ServiceNow	Increase position
Synopsys	Increase position
Exit/Reduction	
Adobe	Exit position
Intuit	Exit position
Siemens Healthineers	Exit position
BYD	Exit position
Salesforce	Exit position

In Q2 we continued to concentrate our software holdings on companies and market segments that we consider long-term winners from AI. While some investors had worried that artificial-intelligence tools would displace traditional cybersecurity players, we have been of the opposite opinion for some time. The strong results reported by leading Cyber Security players and their enlisting as key partners to the Glasswing project by Anthropic killed those fears and triggered a steep rally in the sub-sector. We will maintain our overweight in Cyber Security, and we bought back part of the share of Zscaler sold last year after their large drop since then.

With the sales of BYD and Siemens Healthineers, we eliminated two more holdings who we believe face increasing headwinds from competition and disappointing innovation. Instead, we added to Booking.com whose management team seems to be leveraging their existing business successfully using AI. As a result, Booking.com offers a clear path to double digit growth at a moderate multiple. Particularly the switch from BYD into Booking.com added significant value in Q2.

Company insights

Fortinet

Fortinet beat expectations handily on results and outlook, calling out "an increasingly complex threat environment that is being intensified by AI" as a driving force that is likely to remain in place for some time.

The tailwinds highlighted by Fortinet management have been major drivers of our investment case for the company and cybersecurity leaders in general. While some investors have worried that artificial-intelligence tools would displace traditional cybersecurity players, their recent results, and the enlisting of major cybersecurity companies as partners to the Glasswing project by Anthropic strongly suggest that leading cybersecurity players will play an even more important role in cyber defense going forward.

Meeting with CrowdStrike management – Implications for the Cybersecurity Sector

We met with Michael Sentonas, President CrowdStrike, early July 1. The discussion centered around the current demand environment, the future role of cyber security incumbents in the age of AI and AI agents and CrowdStrike's market position.

As far as demand is concerned Mr. Sentonas stressed that he had never seen such a strong demand environment. The launch of Mythos from Anthropic changed everything. Since then, every CEO and Chief Information Security Officer (CISO) is worried about how to protect their companies. As a result, meeting requests from clients have risen sharply since, feedback that we had heard before from Fortinet and Palo Alto.

In terms of market position Mr. Sentonas mentioned that CRWD had been involved in Mythos for 12 months prior to launch as Anthropic (OpenAI as well) see leading incumbents such as CrowdStrike as mission critical partners that leverage their work. While Mythos focuses on detecting vulnerabilities, patching the holes, dealing with security incidents, and managing cyber security day to day will be done by leading cyber security players.

The main challenge from AI is that it enlarges the attach surface significantly and it shortens the time for response and remedy dramatically. Mr. Sentonas' view is that these developments will accelerate demand for platform-based cyber security solutions. Adding to the fact that most medical and industrial equipment is largely unprotected, we believe that growth rates at leading cyber security firms will accelerate for years to come.

Advantest

Advantest is one of the most prominent beneficiaries of the surge in demand not only for AI-chips, but high-end semis in general. Advanced chips for AI will use 2-nanometer and 3nm technology that requires high-quality testers. New DRAM chips known as high-bandwidth-memory (HBM) chips are set to be widely adopted due to generative AI, fueling revenue growth for memory testers and the mechatronics division in the years to come.

As importantly, there are only two major testing companies left (Advantest and Teradyne), but Advantest dominates AI-testing while innovating at a rapid pace. Based on our two on-site visits and developments since, we believe that Advantest is also the innovation leader among the two.

Even though the stock has gone up 6-fold since our initial purchase two years ago and valuation is demanding, the fundamental outlook remains highly promising. What's more, since testing is only a small percentage of semi-spend (1%) and the need for more intense and advanced testing is likely to continue to grow, estimates are likely to continue rising as a consequence. Hence, despite the high valuation, we stay the course.

Analyst Day of ServiceNow

At their 2026 Financial Analyst Day ServiceNow positioned itself not as a traditional Software as a Service (SaaS) vendor at risk of being disintermediated by foundation models, but as the orchestration, governance, and action layer on top of which enterprise AI is operationalized. CEO Bill McDermott described the company as moving from being the "platform of platforms" to being the "AI of the AIs". We fully buy into this thesis, which has been at the core of our investment case for some time already.

Clearly, AI is quickly becoming table stakes in enterprise software, which is precisely why ServiceNow has embedded AI natively across its platform rather than bolting it on. Core components and new offerings such as AI Control Tower, Context Engine, and Action Fabric are converging to position ServiceNow as the “Agent Operating System” for enterprise workflows.

ServiceNow's own internal AI deployment is generating real, measurable productivity savings that fund both growth investment and margin expansion. Management raised internal cost savings to USD 300 million annualized in 2026 and, as a result, expects headcount to be flat year-on-year on 19% higher sales. Also, management raised the bar in their FY2030 projections: doubling subscription revenue by 2030.

Strategic perspective

The rally in Technology shares in Q2 was driven by a narrow selection of large cap AI-stocks and riskier 2nd and 3rd liners, indicating growing investor euphoria and thus growing risks. A look at our Emerald Tech Sector Bubble Indicator confirms that view. While the behavioral part of it had been flashing red for some time, the valuation and the fundamental sections have deteriorated significantly in Q2, pushing the overall reading into bubble territory. Investors should take note!

Does this mean the AI-bubble is about to collapse?

No, not necessarily. Even though there are many similarities with the dot-com and the Nifty-Fifty (of the early 1970s) bubbles, there are also major differences.

Like today, the late 1990s witnessed an unprecedented surge in IT capital investments. The primary catalyst for today's investment boom in AI-infrastructure is tech-leaders fears of being left behind while the rapid improvements in the capabilities of Large Language Models (LLMs) add to the urge to invest. However, what we call “the last hurrah,” that final explosion of investor euphoria and the resulting parabolic rise in markets, is still missing and valuations are nowhere near the extremes of the IT- or the Nifty-Fifty-Bubbles.

During the dot-com bubble, the NASDAQ Composite Index rose from under 1,000 points in 1995 to over 5,000 by March 10, 2000, with majority of that rise happening in last 12 months before the market peak: From March 1999 to March 2000 the NASDAQ rose 110%, from 2400 to 5000! While we noticed increased risk taking recently, advances have been much more measured. Valuations show a similar picture: While multiples of the leading AI companies may be above average, they are nowhere near the lofty levels seen during the dot-com bubble or the Nifty-Fifty bubble in the early 1970s.

The long-term view: The most consequential innovation in human history

While history holds some valuable lessons that can help to navigate the treacherous waters ahead, each bubble follows its own path and timeline. Instead of trying to time the cycles of an innovation like AI or the bubble that inevitably accompanies it, investors should look at the long-term picture when evaluating AI.

We believe that AI is the most consequential innovation in human history and it is likely to change how business will be conducted and how humans will conduct their lives. The opportunities and additional growth that can be generated are significant. Therefore, we believe that the willingness to invest and finance AI will remain strong as long as the belief in AI being a “game changer” remains strong, AI-adoption keeps growing, and financing conditions remain supportive.

What can keep it going and what can kill it?

Clearly, the belief in AI’s transformational power is unbroken and financing is readily available. As importantly, AI-adoption amongst consumers and businesses is progressing much faster than for the internet at the time. However, even though adoption amongst private individuals has been extraordinary, at the enterprise level, it is still at an early stage. Not because companies are skeptical, but because it takes time to get their own infrastructure and corporate networks ready and, most importantly, secure them from the growing security threats that AI brings. Our research suggests that broad enterprise AI adoption and a meaningful deployment of Agentic AI – AI agents running an entire workflow autonomously - looks unlikely before 2027 at the earliest, or more likely in 2028.

What can keep it going:	
Believe in AI being a game changer	Yes, and growing
Accelerating Adoption	Consumers
	Enterprises
Positive impact on sales and earnings	First indications beyond pure AI-hardware
Positive impact on productivity gains	Early indications from some software companies
What can kill it:	
Falling belief in AI being a game changer	No
Failing broad based adoption	Too early to tell
Deteriorating financing condition (Fed tightening)	Watch
Failure of a major financing round or major IPO	No, watch upcoming mega-IPOs

Source: Lloyd Capital/Emerald

Starting to see a real impact

This said, AI is going from hype to implementation: The positive impact of AI starts to be increasingly felt outside the early beneficiaries of AI and a broader set of companies start to show rising sales from AI (e.g., Fortinet, Cisco) or report growing amounts of cost savings thanks to their use of AI (e.g., ServiceNow).

Conclusions

There are clear signs that AI is in an advanced stage of a bubble, hence risks are up. Our main concerns remain the rising share of debt financing of AI investments and the circular economy that is forming. Does this mean the bubble is about to collapse and investors should exit the AI-theme? No, not necessarily, because many of the signs associated with a bubble bursting are currently missing, in our view.

What's more, valuations for high-quality growers have compressed drastically, reaching levels not seen in a very long time. The catalyst for this has been fear of disruption to established moats (their competitive advantages) by generative AI.

The market has de-rated many companies that we consider exceptional, but our own discussions with our experts and our own research suggest that in many cases this fear is unwarranted. Hence, we not only see an excellent investment opportunity for the disciplined, long-term quality-growth investor, but these battered quality names should provide support for the market should the hot stuff run out of oxygen (or euphoria). Therefore, we keep a healthy allocation to such "out-of-favor" quality growth stocks.

As importantly, exiting a long-term growth theme too early can be worse than having to ride through the inevitable sharp corrections along the way, provided you are holding the right mix and right quality of stocks in your portfolio and you have a deep enough understanding of the underlying business and strong enough stomach nerves allowing you to hold on to your investments during down markets.

Unless see more indicators of a last "hurrah" or excessive valuations, we stay fully invested as the risk of missing the long-term upside is too great. Instead of trying to time this market, we are going to focus our energy on deepening our understanding of the AI-technology as well as the businesses we invest in to make sure we allocate our customers' funds into the right quality and the businesses that have the highest chance of being a long-term winner.

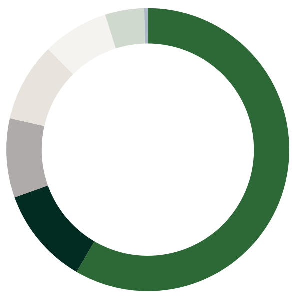
Business characteristics & strengths

		Portfolio	Equity Benchmark
Profitability	Operating Margin	39.6%	16.3%
	Return on Equity	39.2%	20.1%
Balance Sheet	Net Debt / EBITDA	0.3X	1.0x
Yield	Operating Earnings Yield	4.8%	6.0%
	Dividend Yield	0.8%	0.9%
Growth Profile	5-year earnings growth est.	18.1%	

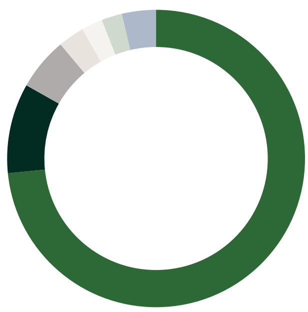
Portfolio overview

HOLDINGS BREAKDOWN	
Top 10 Holdings	**Weight**
ASML HOLDING	9.77%
ALPHABET INC-CL A	6.65%
NVIDIA CORP	6.49%
BROADCOM INC	5.64%
APPLIED MATERIALS INC	5.57%
MICROSOFT CORP	5.16%
AMAZON.COM INC	4.90%
THERMO FISHER SCIENTIFIC INC	4.43%
META PLATFORMS INC	3.80%
SUNBELT RENTALS HOLDINGS INC	3.77%
Sum of Top 10	**56.18 %**

Sector Breakdown



Regional Breakdown



Investment Results Performance

	Growth Equity Strategy (Gross of fee)	Growth Equity Strategy (Net of fee)	Benchmark
QTD	17.7%	17.5%	19.0%
YTD	6.8%	6.5%	10.7%
1 year1)	15.0%	14.4%	21.7%
3 years1)	15.1%	14.5%	19.6%
5 years1)	7.3%	6.7%	10.5%
Since inception1)	14.6%	14.0%	13.6%

1) Time frames over 1 year display annualized returns

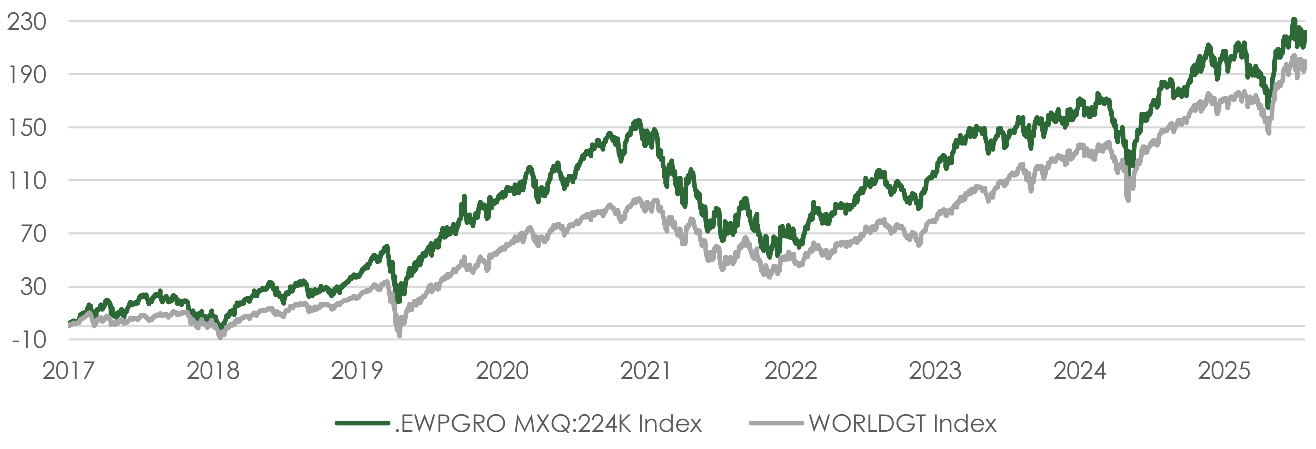
Source: Bloomberg, Emerald / Data since launch of the Emerald Growth Equity Strategy on 06.12.2017. Performance data is based on model portfolio, managed on Bloomberg (Bloomberg Ticker: EWPGRO), data is net of fee including a management fee of 0.575% p.a. All data calculated in USD. Benchmark MSCI World Growth AC until 31.03.23, from 31.03.23 Bloomberg World Growth. * = annualized data. Historical returns or financial market scenarios are not a guarantee for current or future.

Calendar Year Return Comparison

	Growth Equity Strategy (Gross of fee)	Growth Equity Strategy (Net of fee)	Benchmark
As per 06.12.2017	2.6%	2.6%	2.7%
2018	-1.3%	-1.9%	-7.8%
2019	42.0%	41.2%	33.2%
2020	42.2%	41.4%	33.9%
2021	20.2%	19.5%	17.3%
2022	-33.8%	-34.2%	-28.4%
2023	40.2%	39.4%	31.8%
2024	13.3%	12.6%	21.7%
2025	16.7%	16.0%	18.6%
As per 30.06.2026	6.8%	6.5%	10.7%
Cumulative	**221.8%**	**206.3%**	**198.6%**

Source: Bloomberg, Emerald / Data since launch of the Emerald Growth Equity Strategy on 06.12.2017. Performance data is based on model portfolio, managed on Bloomberg (Bloomberg Ticker: EWPGRO), data is net of fee including a management fee of 0.575% p.a. All data calculated in USD. Benchmark MSCI World Growth AC until 31.03.23, from 31.03.23 Bloomberg World Growth. * = annualized data. Historical returns or financial market scenarios are not a guarantee for current or future.

Long Term Track Record – Cumulative Return since the launch of Emerald (Gross of fee)



Source: Performance data from December 06, 2017 to May 16, 2024 reflects a hypothetical model portfolio based on separately managed accounts (SMAs). Model portfolio managed on Bloomberg (Bloomberg Ticker: EWPGRO) on a gross basis; performance reflects net returns after deducting an all-in fee of 0.575% per annum. Performance data from January 01, 2026 onward, reflects actual ETF performance.. All data calculated in USD. Benchmark: Bloomberg World Large & Mid Cap Growth Total Return Index. Past performance and historical market scenarios are not a guarantee of current or future performance.

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