



Evenlode Global Dividend Fund

Investment view

A postcard from America Part 2 – Economic and investment themes

June 2026





Last month we described some of the features of the current market structure, particularly the drive toward indexation and passivisation of investment that we heard about when talking to companies in New York. Since then, we have had - in case it had escaped your attention - the largest IPOⁱ in history by some margin and with it the crowning of the world's first paper trillionaire. Retail trading reportedly helped to bump up SpaceX's share price, although it has now drifted back down toward the IPO price, and we now look forward to the impact on indices as the company hits the NASDAQ and MSCI branded versions in the next fortnight. Next to market will come AI darlings Anthropic and OpenAI, when similar questions will be asked.

The driving forces of capital flow are creating a market that is warped towards AI, and now space exploration. Companies with earthly business models operate in the prosaic real-world economy, and in this second report on our findings from the research trip we'll summarise the views from on the ground on the economic environment and related investment themes. These come from a broad swathe of companies, some in the portfolio but many that are not, and we'll conclude with thoughts on the implications for the portfolio.

Consumers and the economy

The health of the global consumer is always important for the economy, but it has been a particular point of interest post-Covid where the disruptions of the pandemic led to the return of inflation. There are thus crosscurrents in the picture for the consumer that we were interested to get an update on, and we heard about these but there are also some signs of underlying resilience as well. As

we were in the States - with it being the world's largest economy and a powerhouse of consumption - it was consumer spending in the US that got the most airtime. Colgate described the consumer as having 'pulled in their horns', although they noted that there hadn't as yet been any additional impact in spending from the increase in oil price following the Iran war. Total expenditure on pets remains solid as we discussed with portfolio company Zoetis last month, and Colgate corroborated this view through the lens of their Hill's pet food business.

Medical testing firm Quest Diagnostics, also a portfolio company, are seeing their direct-to-consumer revenues grow quickly as individuals choose to proactively test themselves medically rather than waiting to fall ill. Both pets and proactive medical testing might be considered to be at the discretionary end of spending, indicating some underlying resilience to the consumer economy (although pet owners may disagree with the first part of that statement).

American Express and Mastercard suggested that their data indicates a premium skew to spending, an indicator of the so-called 'K-shaped' economy whereby those more toward the top of the income spectrum are doing ok, but those lower down are feeling the effects of inflation and weak growth more acutely. For Consumer Goods firms this means that offering products across different price points (the 'pricing ladder') has become more important as the spread of people's disposable income has widened.





Real world AI usage

Last month we touched on Information Services companies and how they are moving to use AI services as a point of access to, and thus to monetise, their proprietary data. We also heard about other use cases in driving efficiencies in different industries.

The aforementioned Quest Diagnostics is using AI in analysing the slides taken in pathological testing. This is a process that must be carried out by a pathologist, and the aid of AI improves their diagnostic accuracy. That's a clear benefit to patients but also potentially improves throughput and thus Quest's operational efficiency. However, it's not an immediate efficiency benefit due to regulation that caps the number of slides pathologists can address in a single session. That's for good reason, even the best medical professionals get tired and see their accuracy drop. This is an interesting case study in regulation needing to keep up with technological advances, something that is being grappled with across many different industries.

In a very different world, Etsy is using AI to assess the quality of listings on its marketplace, and to help make the process of listing as frictionless as possible. In the world of finance, MSCI's focus for AI is on the development of new products and delivery through the new channel of Model Context Protocols (MCPs), a new and potentially high-volume channel for the consumption of data by customer models.

So, the AI story can be seen to be playing out across most areas of the economy in one form or another. More broadly we see examples across the portfolio of companies using the

technology for distributing their products and services and improving customer satisfaction. With the initial adoption phase maturing, we are hearing the corporate mood turn to managing spend to get a return on AI investment, as the tools certainly don't come for free. To deliver these energy-hungry services we heard about how capital expenditure is proceeding on the ground.

Infrastructure

We heard from a few companies directly plugged into the AI capital expenditure boom. The power consumption of new datacentres is adding to the demands of electrification of transport, heating and cooling meaning that additional generating capacity and transmission upgrades are needed. This can only go so fast though; planning considerations and permissioning of new sites create a bottleneck alongside construction industry capacity. This is related to, but independent of, complaints from local communities about the impact of new datacentres, electricity generation and transmission infrastructure.

Energy hardware provider GE Vernova predicts prolonged spending into the 2030s based on the total demand expected and the lengthy nature of the planning permission process. There are also tailwinds to infrastructure spending in the US from the bipartisan Infrastructure Investment and Jobs Act, which contractor CRH said gives confidence on its road and water infrastructure business. Whilst the stimulus is expected to be rolled on beyond its original 2026 end date, the large debt pile of the US government combined with its wide deficit





does introduce some risk to the future of government largesse.

When it comes to the kit that goes into datacentres, semiconductor equipment manufacturers such as KLA and Lam noted that there are bottlenecks in the form of a lack of clean rooms. This is another driver of construction and upstream supply chain developments such as Air Products' industrial gas facilities.

With so much financial capital being turned into physical facilities there is an increase in very real-world risks from weather events and outages from data centres and networks. This was noted by both insurance broker Marsh (in the portfolio) and data provider Verisk, which is a holding in the Evenlode Global Opportunities fund. I was taken on a very interesting tour of a data centre in New Jersey. It was one of the smaller ones I'm told, but even then it seemed vast. Their investments in uptime include on-site generation as a failover in case of troubles on the grid. Uptime is a very clear necessity for clients whose businesses increasingly depend on this infrastructure, and the resilience of the entire system from energy to hardware to its financing becomes increasingly important.

Portfolio implications

Since returning from the trip, we have had the news of a potential end to hostilities in Iran and an associated drop in the price of oil. Interestingly the businesses we heard from generally painted a picture of the elevated oil price being a real but absorbable phenomenon. Increased inflation perhaps widens the arms of the K-shaped economy somewhat, and energy prices heading downward might be assumed to have the

opposite effect. This would be an overall benefit to the Consumer Goods franchises in the portfolio, in which we have built our own 'pricing ladder' by investing across categories and price points from Nestlé's Maggi noodles to LVMH's leather bags.

The bigger questions really come from the discussions around AI, both in an absolute sense and relative to the market. In absolute terms, the information and business services companies in the portfolio such as Wolters Kluwer and Amadeus are currently being marked down by the market due to fears of having their business models disrupted. We have written about the defensibility of these business models previouslyⁱⁱ and will continue to discuss them as the new tools of AI develop. So far though, whilst we have heard of new entrants to markets and delivery of information and services through new channels such as MCPs, we have not seen any evidence of fundamental disruption to portfolio companies' business models. Indeed, thus far embedding AI tools into their offerings is benefitting their growth rather than hindering it or worse. This view is not just espoused by the companies themselves, who naturally must paint as good a picture as they can. Independent industry experts differentiate between point solutions that may be easily replicable by AI and information, data and network effect businesses where the value proposition lies outside the ability to write code.

In relative terms, we have seen better value in the very physical-asset-light end of our investable universe, and this is where the c.30% of the portfolio found in those business services companies sits. That's not to say we





are averse to physical products and services, far from it as our holdings in Consumer Goods companies, and businesses like kitchen equipment maker Rational and industrial lubricants firm Fuchs attest. However, the investment boom in construction and infrastructure that is being fuelled by AI has been well reported and corroborated by what we have heard on the ground. This has provided a stiff tailwind for those parts of the market that directly serve this rollout, which has been fanned further by capital markets flows driven by thematic and passive investing alike. This has left valuations high and despite the strong narrative, at some point this boom will slow as capital is exhausted and demands a return for the risks being taken. We have heard clearly how end demand is moving from the early adoption phase to equally seeking return on the spend.

By seeing the range of companies on this trip, as well as the other research we do on an ongoing basis, we intend to contextualise the portfolio's positions and critically reassess current positions and those we might add. AI and financial market innovation were, to reiterate, the standout themes. We think AI has the capacity to help with operational efficiency and drive revenue growth in different measures across the portfolio. There are also interesting companies that serve the physical buildout of AI and other topical areas like defence that we could invest in at better prices, and some that look like near term opportunities that we are analysing as a priority.

That the boom means the market is focused on one economic area seemingly at the expense of almost everything else is throwing up tremendous bargains. When it comes to the broader economy, the boom is supporting nominal growth, but the inflationary picture has made things more challenging for consumers. If consumer facing companies have been able to navigate this, as most in the portfolio have managed to do reasonably well, it provides reassurance on the value of their offerings to customers and the value present in their stock prices alike.

The portfolio continues to be invested in businesses with good economics that benefit from a broad range of sources of demand. Some of these are directly related to AI investments, some indirectly, some are not related much to this huge theme. That said, all companies will over time be users of the infrastructure being built, but not all will add value through its use. Companies that own unique assets or deliver genuine value-add, and have the structural means to defend their competitive positions, are best placed to do so. Such businesses compound cash flow over time, and many currently trade at exceptionally attractive valuations. If AI can help with top line growth or at the bottom line through efficiencies then all the better, but it is not necessary for these businesses to thrive fundamentally and, from these valuations, in market return terms.

Ben Peters

24 June 2026





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ⁱInitial Public Offering (IPO) - This is the process where a privately owned company transitions into becoming a publicly traded company by offering its shares to the general public.

ⁱⁱ See for example:

<https://evenlodeinvestment.com/evenlode-investment-news-and-views/the-fundamental-algorithm/>

<https://evenlodeinvestment.com/evenlode-investment-news-and-views/familiar-figures/>

