



Evenlode Global Dividend Fund

Investment view

Familiar figures

April 2026





The intervening month since our last investment view has brought corporate news in the form of first quarter results and developments on the geopolitical front. The headlines are little changed though – oil remains at over \$100 per barrel, and the equity market remains buoyant. Having largely shrugged off the potential economic impacts of higher energy prices, global indices have gone on to notch up record highs. Whilst there has been a moderate recovery for the market prices of portfolio companies, this has once again been left in the wake of a market that seems determined to maintain its high valuation level.

Part of the support for the market comes from the expectation of bumper earnings growth, particularly from the Information Technology sector. Market momentum is firmly with the sector, with ‘factor’ measures showing low volatility and quality companies being out of favour. On a fundamental basis, a flip side of momentum being focused on growth is that companies that marginally miss revenue or earnings expectations - or even just meet them - are being marked down severely. All in all, it seems to be an acceleration of a multi-year trend that has seen steady growth companies with attractive microeconomics left in the dust – exactly the sort of businesses we think are good for compounding shareholder capital, and meaning valuations are at a highly unusual discount to the broader market.

Valuations could be driven by fundamental performance - good or otherwise - and at around the halfway point in the first quarter reporting season, we have been assessing this as the numbers have rolled in. The headlines for the portfolio will be familiar to long time

readers of these missives. Organic revenue growth¹ is averaging around +6%, and profit growth is a bit ahead of this. Companies are generally backing their forecasts for the year, although, thanks to the US-Iran war, most are sounding a note of caution on the risks from high energy prices and supply chain disruptions on demand and the bottom line.

There is naturally a spectrum of growth around the mid-single digit average. At the slower end are some Consumer Goods franchises, particularly at the more discretionary end of spending. Luxury firm LVMH saw revenues grow +1%, with strength in jewellery held back by a slower Fashion & Leather goods division, partly impacted by the war in Iran. Spirits maker Pernod Ricard had flat revenues, and bicycle parts giant Shimano experienced a slight decline. These are companies that have experienced multi-year post-covid normalisations in demand, so a stabilisation is a move in the right direction, albeit not off to the races yet. Sentiment can move quickly if things recover slightly.

Moving up the growth rankings we see consumer goods giant Nestlé, insurance broker Marsh & McLennan, and pharmaceutical company Roche at mid-single digit top line growth. For Marsh & McLennan this represents a slowdown that is related to the insurance pricing cycle and is a reason why the company’s stock has declined in value over the last year. We have built the portfolio’s position through this time of market weakness. Roche is seeing consistent growth from its diversified pharmaceutical portfolio across a range of disease areas including oncology, neurology and eye care, and pipeline news flow is positive overall.





This is offset by slower growth in its lower-margin diagnostics division, which is experiencing the effects of health care pricing reforms in China. Nestlé had been absorbing the impacts of higher coffee and cocoa prices - which are now moderating - and alleviation of a weak consumer environment that is returning to signs of life after pandemic-induced price inflation.

At the higher growth end are London Stock Exchange Group (LSEG), enterprise software market leader SAP, and pharmaceutical company Sanofi, which are growing in the double digits. The latter's Dupixent therapy is seeing continued strong growth in dermatology and allergy treatment. Whilst Dupixent dominates revenues, a fast-growing slate of newer drug launches addressing rare diseases is increasing diversification behind it. LSEG and SAP are two companies in focus as part of the market concerns about AI disruption, but any impacts are not being felt yet. Revenues grew +10% and +12% respectively, and the management of both companies have seen fit to address concerns about AI head-on in their commentary.

On AI, we have increased the portfolio's weighting toward Information Services companies where there have been some significant share price moves downward, either increasing existing positions like LSEG from a relatively low base or adding new holdings like SAP. The commentary from the companies' management teams is helpful to understand the investments they're making to take advantage of AI, and to protect their competitive positions against incumbents and new entrants alike.

We don't just take management's word for it on the defensibility or otherwise of their businesses in the new world of AI agents and vibe-coded software. This is indeed a new technological paradigm that needs to be understood. Where we have holdings, we think that competitive positions are structurally defensible, and that the attractive valuations offset the risks individual companies face. In general, their services are mission critical, used in changeable complex scenarios where the cost of failure is high, and built on unique proprietary assets. Each company addresses a different element of customer operations, a different industry, a different niche information or capability need. Each has different barriers to competition and switching costs for its products. We look at new entrants, consider their offerings, and consult with independent voices on AI and the companies in question.

As a reference point for valuations, the MSCI World Index is currently trading at a little over a 3% free cash flow yieldⁱⁱ; the portfolio is about double this at 6.4% expected for this year. As with the growth performance of individual holdings, there is a range of valuations in the portfolio, but it certainly skews cheap. At the low end on a free cash flow yield basis is Microsoft, which is well known for its current enthusiasm when it comes to spending on capital expenditures to support AI which depresses this figure. We think this is controllable by the company, but as always keep a watching brief for returns on these investments. In the company's very recent quarterly results, growth in cloud service Azure improved as they were able to bring datacentre capacity online, which is expected to continue as well as potential for





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profitability improvements from usage-based pricing and efficiency. Detail given on the scale of end-user adoption was reassuring. Other companies also featuring a below 4% free cash flow yield is industrial cooking appliance maker Rational, a German business with solid growth prospects, and L'Oréal which is about as high quality as it gets in Consumer Goods at the current time.

But the vast majority of businesses in the portfolio are trading cheaper on many measures - significantly cheaper in many cases - whilst delivering good, durable growth in revenues and cash flows. Again, this will sound familiar to regular readers, though a new set of valuation opportunities has emerged; Rational and SAP have been added this year amongst others; positions in Marsh & McLennan and LSEG have been built into as share prices weakened over the last year.

*Evenlode has developed a **Glossary** to assist investors to better understand commonly used terms.*

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Overall, the portfolio dividend yieldⁱⁱⁱ is over 3%, the buyback yield^{iv} is c.2% and we expect high single digit free cash flow and dividend growth over time. The free cash flow yield is over 6%, the highest it has been since launch. Additional opportunities to add to the portfolio may selectively appear depending on news flow at a macro and micro level. By taking these opportunities, the future gets more and more interesting for the portfolio for when market conditions do change.

Ben Peters and Rob Hannaford
29 April 2026

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ⁱ Organic Revenue Growth excludes growth attributable to mergers and acquisitions and foreign exchange.

ⁱⁱ Free Cash Flow Yield - The total free cash flow generated by a portfolio or index, divided by the market value of the companies in the portfolio or index.

ⁱⁱⁱ Dividend Yield - Annual dividends made by a company to shareholders, expressed as a percentage of the share price.

^{iv} Buyback Yield - The percentage of a company's capitalisation spent on repurchasing its own shares over a period.

