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GLOBAL DIVIDEND FUND

Evenlode Global Dividend Fund

Investment view

A pause for thought

August 2026

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A pause for thought – August 2026

Half year earnings season is just about wrapped up and the summer lull feels like it's commenced in earnest, a notion helped along by the continued hot weather in Europe.

The market continues to trade of course but something of a lull has taken over after the slightly more dramatic moves of late July. Perhaps lull is the wrong word; in fact the global index has resumed its upward grind driven by a recovery in the US market, but day to day volatility has dampened down over the last fortnight. The moves in July have nonetheless spurred a rash of articles in the financial press looking at the structure of the equity market[i], something we have examined from different angles in these investment views this year[ii]. It seems clear that there are structural, speculative factors that are in the driving seat right now.

Leveraged financial instruments get special attention. Leveraged exchange traded funds - those that promise a multiple of the return each day of a single or small group of stocks - can only be a vessel of pure short-term speculation. If held for any significant period of time a loss is guaranteed. With such instruments now, by some estimates - a big factor in the market - it can feel like the opposite endeavour of long-term investing in companies steadily churning out a growing income stream is outmoded, unfashionable.

Over the last few years the odd moment has turned up in the market, such as the end of July, that serve to remind us that there is merit in the fundamental over the speculative approach, and hint that the current movers of the market may not dominate forever. They have been fleeting moments though.

Talking to our clients and to other investors is helpful in processing all of this. Whilst we may be 'frenemies' with those at other investment firms, our discussions where we have them reassure us that we are not alone in examining the fundamentals and valuations, and thinking these factors should ultimately bring something to bear on market returns. There will be a time again when such notions come back into fashion, a type of retro chic investing idea that suddenly stands out in a sea of financialised modernity.

The AI investment vs returns debate rumbles on. Within the portfolio Microsoft walked the line on its capital investment plans. The market liked the balance of disciplined messaging with continued enormous spending to capture the opportunities AI is presenting, with the stock price reversing the drift downward seen this year. Interestingly on the other side of the AI debate, companies like SAP and Wolters Kluwer that had been trading in the exact opposite direction to 'AI winners' have about-turned and risen alongside them. This observation is very short term, so it is too early to say whether this is indicative of a broader change in the market or not, but even for a short period it is certainly different to the previous six months or so.

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[i] *See for example:*
Bloomberg – AI Dominated Leveraged ETFs Are Rattling Markets
Financial Times - South Korea cracks down on risky retail funds after tech rout:
Bloomberg - Why South Korea's Stock Index Is More Volatile Than Bitcoin

[ii] *See our May and July investment views:*
A postcard from America Part 1: A focus on markets
Markets meet stability

We went through some detail on fundamental results in the portfolio last month so won't re-subject you to that here, aside from to reiterate that the vast majority of firms are going along just fine.

One of the challenged, and therefore much discussed, positions in the portfolio is Diageo. I attended their capital markets event last week that was the set piece at which new CEO 'Drastic' Sir Dave Lewis would reveal all about his plans for the business. In brief, there are plenty of self-help items in his plan including creating more coherent brand messaging for individual brands, re-prioritising ready to drink cocktails as part of this, and filling in the price ladder particularly at low-to-mid price points. Anyone who's spent any time on a train recently will know that cocktails in tins are a growth area but are unlikely to bridge the volume gap that, in America at least, a fall in the popularity of premium spirits has created. Diageo does not expect a rapid snap back in its biggest and most difficult market. They predict a steady recovery in North America and there is clearly growth to be had globally including in India and Latin America. This is a slightly different proposition from when the wind was at the company's back over the late-2010s and during the pandemic, and actions are being taken to create the right business footprint which should aid cash generation in the medium term at some upfront cost. The market seems to have liked what it collectively heard, with the share price recovering somewhat from a level that seemed very cheap to us, even taking the slowdown in the US and operational missteps into account.

There does not need to be operational challenge for there to be an interesting valuation on a stock though, such is the current market and its eye being myopically on the potential AI prize. We have initiated some new positions that we are building at attractive valuations and will give more detail once these reach a meaningful size. We have, thus, broadened the portfolio out to 48 companies, the highest number ever, and reflective of the opportunity we see in quality businesses. We've continued activity in spite of the summer lull, which will pass by quickly as it always does.

I hope you manage to take a break before the days shorten, and we look forward to what will no doubt be a fascinating final third of the year in equities.

Ben Peters
13 August 2026

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

Market data is sourced from S&P Capital IQ, Financial Express Analytics and Bloomberg unless otherwise stated.

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