EVENLODE
GLOBAL DIVIDEND FUND

Evenlode Global Dividend Fund

Investment view

Market developments and reports from the real economy

October 2026



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Certified B Corporation

In last month's investment view we noted a shift in the market tone over the last few months, and in the intervening weeks we have been observing how this move has accelerated. The previous dominance of the momentum factor[i] is giving way to a market rotation into areas more resilient in nature, areas that have over the last few years been deeply unfashionable and where we have found an increasing number of bargains. As we write towards the end of October there has been something of a reversal in the reversal, with the AI[ii] complex staging a recovery (the catalysts being Anthropic's filing of its IPO[iii] documents, and memory maker SK Hynix posting blowout numbers in its quarterly results). Then in another twist on the rollercoaster, questions over the returns Alphabet is generating on its large AI outlays and memory maker Samsung disappointing the market have sent things back the other way. We expect the bifurcation[iv] of the market into 'AI' and 'not AI' and the attendant whipsawing to persist for some time to come.

The bifurcation is evidence that the overall driving forces of the market are broad capital flows, not company specifics. Company specifics remain, we think, important for long-term value creation though, and if the current technicalities and obsessions of the market are offering us solid companies at a discount then that's fine with us. We have seen the details in focus in the current third quarter reporting season. With some 61% of the portfolio having given us a revenue number and commentary on how business is going, we have a good view of the real economy. Overall, weighted average organic revenue growth[v] for the portfolio companies that have reported at the time of writing is 6.5%. In the summary below we've quoted organic revenue growth figures for consistency.

Business services broad strength

Business-to-business franchises are proving resilient despite fears of AI disruption, with organic revenue growth in the mid-to-high single digit range. In the much-discussed world of information services RELX turned in +7%, and in the even-more-questioned land of consultancy Accenture also posted +7%. If their customers are thinking of turning to AI instead of Accenture, they're certainly not doing it yet. Advertising agency and consultancy Publicis grew +5%, outpaced by its US peer Omnicom at +7%. This is interesting in part because it's another industry that is supposed to be displaced by AI which doesn't seem to be happening yet, and also because Omnicom's acquisition of Interpublic hasn't been the disruptive episode that some predicted either. Testing, Inspection and Certification companies Bureau Veritas, SGS and Intertek grew mid-single digits, helped along by keen interest in digital-related services. SGS acquired a majority stake in Prescient Security, taking it into the US enterprise cybersecurity compliance market. In the world of software SAP grew in the low double digits with an ongoing migration to its cloud-based service arguably helped by the dangling carrot of enterprise-grade AI functionality that it facilitates.

Financial markets businesses have been enjoying growth thanks in no small part to the volatile environment. LSEG grew revenues +9%, which was a point[vi] ahead of expectations as its market division saw record clearing and volumes through the Tradeweb fixed income business. AI disruption

was a question for LSEG but the Data & Analytics and FTSE Russell divisions led to subscription businesses growing +7%. The derivatives[vii] exchange operators Deutsche Börse and CME Group grew in the double digits as risk management demand was high, for good reason.

Capital goods complex

In the franchises that sell physical products rather than services and digital offerings there is something of a mixed picture. Fuchs, a purveyor of specialty lubricants, has benefitted from a pull forward of orders from customers who were securing supply driven by shortages of certain inputs, and the cost of oil. They are clear that revenue growth in the twenties will not be repeated in the fourth quarter; however, they expect to emerge from this latest cycle stronger as they have done in the past. Honeywell International, which sells process control equipment and building automation kit, grew revenues +7%, with the latter an area of strength and helped by selling into data centre construction projects. On the negative side US toolmaker Snap-on experienced revenue declines (-3%), especially in its division that services car mechanics in the States. The franchisees that drive vans around to the end-customer mechanics are feeling the pinch from the increased cost of diesel and are running down their inventories to cover the cost. End demand remains steady, which is of some comfort, but it is a visceral example of the impact of the Iran conflict on the ground in the US; the impact of such factors on next week's mid-term elections will be interesting to see.

Elevator maintenance and equipment provider Otis saw overall revenue growth of +6%, including solid growth in its service business of +8%. New equipment returned to growth after a challenging period, with strong demand outside of China. Most of the business is service rather than new kit sales, representing 90% of operating profit, but the share price has arguably been depressed by the impact of the slowdown in new equipment, the much smaller part of the company.

Honeywell Aerospace had an inauspicious start to life as an independent company earlier this year as it ran straight into issues in its supply chain. End demand is solid for its aircraft systems, but the nature of the niche, specialist suppliers in this part of the industrial sphere has made bottlenecks a problem. Revenue growth was only +2% in the quarter, but order growth is significantly above this and supply chain resilience measures bearing fruit are expected to ease the flow of goods out to customers in the remainder of this year and next.

Healthcare solid

The healthcare sector is one that has found favour in the recent weaker times in the market, no doubt due to the perception of solidity when the nerves take over, but also partly due to generally cheap valuations. Laboratory testing outsourcer Quest Diagnostics posted double-digit revenue growth (+10%), a rate reflecting wins in bringing new hospital systems on board and success in its direct-to-

consumer efforts. We think this is at the high end of what is sustainable longer term but it is encouraging to see the strategy working on the ground.

Pharmaceutical firms Roche and GSK grew revenues +7% and +5% respectively. Roche is the more diversified in its pharmaceutical division and continues to see success of new therapies in oncology, offsetting patent expiries. There is limited near-term patent risk, and a strong pipeline of new therapies that will read out in coming years. GSK's performance was solid in pharmaceuticals but a touch lighter than expected in its vaccines business due in large part to destocking of its blockbuster shingles vaccine Shingrix in China, offset by continued growth in the US.

New holding EssilorLuxottica straddles the healthcare and consumer worlds through its optical, frames and sunglasses businesses. Its treatments for myopia are growing at over 20% per annum despite stiff competition in China. It is also enjoying success in its subscription model for direct-to-consumer optical business. EssilorLuxottica's vertically integrated structure and dominant market position in Europe and the US are part of the secret of its success, and it is rolling this out in South America too. Total organic revenue growth came in at +7%.

Consumer recovery, but still mixed

Consumer companies are on an improving trend but with a mixed picture. The hot European summer certainly helped EssilorLuxottica sell more sunglasses, and it is interesting that it is the more discretionary end of spending that has seen strength on the Continent. LVMH reported a return to growth in Europe in luxury, and L'Oréal put in +9% growth in the region. It certainly wasn't all plain sailing for LVMH though as the Chinese consumer continues to weigh on results. Its modest +1% revenue growth is welcome for being on the positive side, but the 5% decline in its fashion and leather goods division shows that propensity to spend remains subdued in certain areas.

Away from higher price points and toward the day-to-day there was an improving trend for consumer staples companies. The aforementioned L'Oréal overall posted another very strong quarter of outperformance with +8% organic growth. Spirits maker Pernod Ricard had a slight decline in revenues (-1%), which is on an improving trajectory, driven by China. The US remains weak but there are signs that destocking trends are finally starting to abate. The fast-moving consumer goods companies were otherwise in the mid-single digits, with P&G's +4% a marked improvement on the stalled top line of late. Unilever (+5%) and Nestlé (+4%) both reported a balance of price and volume contributing to growth. Reckitt's +3% was a little light and impacted by a manufacturing issue in the US. This will be corrected in time and early signs are that the winter cold and flu season is strong, which should be a benefit in the final quarter of the year. For this part of the market Europe is the toughest region with pricing particularly difficult; those with emerging markets exposure such as Unilever are faring a little better as a result.

Conclusion – Equity market forces and on the ground economics differ

Overall, as share prices continue to sharply swing around the newsflow of the moment, particularly about AI and to a lesser extent oil, we find it reassuring that portfolio companies continue to churn out solid operational performance, in the vast majority of cases in line with or better than what they said they would do. This is generally steady, generates lots of cash, and is currently being valued at a steep discount to other parts of the market.

We suspect eventually Mr Market may get tired of whipsawing around and recognise these companies' qualities. Though it is changing all the time, this is what we have seen in the second half of the year as performance has taken a sudden positive turn, notably as attention is drawn to the financial viability of the AI capex complex. Whilst there is a certain level of exposure to the AI race, for example in Honeywell's Building Automation division, portfolio companies are not dependent on this boom to continue. Their cash flows mean that they are self-funding and accessing capital markets[viii] is a choice, not a necessity.

Whatever the next twists and turns in the market, we remain confident that these excellent companies' characteristics will persist.

Ben Peters
30 October 2026

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

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[i] ***Momentum factor:*** *When market participants seek to invest in stocks whose prices have been rising strongly, on the expectation that they will continue to outperform in the near term.*

[ii] ***AI (Artificial Intelligence):*** *Technology that enables computers and software to perform tasks that normally require human intelligence, such as understanding language, recognising patterns, analysing large amounts of information,*

making predictions, and generating content. AI can help people work more efficiently by automating routine tasks and identifying insights from data.

[iii] ***Initial 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.*

[iv] ***Bifurcation:*** *The process of separating something into two distinct parts. In investing, this can describe a market, industry or group of companies splitting into two groups that perform or behave differently. For example, a market may bifurcate when the share prices of some companies rise strongly while others fall or remain weak.*

[v] ***Organic Revenue Growth:*** *The percentage increase of sales generated from a company's existing resources and operations. Excludes growth attributable to mergers and acquisitions and foreign exchange.*

[vi] ***Point:*** *A unit used to describe a change in a number or percentage. For example, an increase from 8% to 9% is equal to a one point increase. A basis point is equal to 0.01%.*

[vii] ***Derivatives:*** *Investments whose value is linked to that of an underlying asset such as oil or company shares, or the performance of an index, or other variable factor. Some examples of derivatives are futures, options and contracts for difference.*

[viii] ***Capital Markets:*** *Financial markets where individuals, companies, and governments raise and invest funds through the buying and selling of various financial instruments, such as shares and bonds.*