New Capital US Value Fund

Quarterly Commentary | As of 31 March 2026

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Market overview

Markets began the year on a positive note in January, with the MSCI All Country World Index rising 2.9% in US dollar terms, driven by a nearly 9% gain in emerging markets. US small caps outperformed, and value stocks continued their recovery versus growth stocks. Commodity prices saw unusual volatility, with gold, silver, and copper reaching new all-time highs and oil rebounding due to geopolitical tensions, including US military action in Venezuela, conflict with Europe over Greenland, and threats of intervention in Iran. Concerns about the Federal Reserve's independence, heightened by a criminal investigation into Chairman Powell, pushed government bond yields higher, though the nomination of Kevin Warsh as Powell's successor helped ease fears and led to a correction in commodity prices. Despite a partial recovery, the US dollar remained down 1.5% in trade-weighted terms since the start of the year. Stock markets were buoyed by a solid global economic cycle and expectations of Fed rate cuts, with corporate profits revised upward and projected to grow by double digits for a second consecutive year, though elevated valuations warrant caution.

In February, global equity markets continued to rise, with the MSCI World All Countries Index up 1.3%, bringing year-to-date gains to 4.3%. Gains were driven by markets outside the US, as the S&P 500 fell 0.8% and lagged other developed and emerging markets, which were up more than 14%. Value, small, and mid-cap stocks outperformed growth and large caps, particularly as tech companies weighed on performance. Safe assets rallied alongside equities, with falling government bond yields, rising gold prices, and a stronger Swiss franc, reflecting heightened risk of US and Israeli military action against Iran and concerns about credit quality. The US earnings season remained robust, but the announcement of over $600bn in artificial intelligence (AI)-related investment by US hyperscalers raised questions about future profits. The US Supreme Court's ruling against Trump's tariffs under the International Emergency Economic Powers Act led to a decrease in effective US tariff rates, supporting the global business cycle.

March saw a sharp reversal, with the MSCI All Countries World Index falling 7.1%, erasing earlier gains and leaving first quarter performance at -3.1%. Bonds also declined as yields rose on fears of renewed inflation and more restrictive central bank policies. The shift in sentiment was triggered by the US and Israel's war against Iran, resulting in the closure of the Strait of Hormuz and threatening global supply chains, especially for energy, agri-food, steel, and semiconductors. The US, less dependent on these supplies, saw its equities and bonds outperform and the dollar strengthen, while non-US markets and currencies suffered. Notably, gold prices fell despite expectations of safe haven demand, as investors and central banks sought liquidity to address emergencies. Nevertheless, medium- to long-term fundamentals for gold remain supportive of a gradual price increase.

Fund performance and positioning

During the first quarter of 2026, the New Capital US Value Fund declined by 0.1%, compared to a 2.1% return for the Russell 1000 Value Index, resulting in relative underperformance of 223 basis points (bps). Underperformance was driven by both security selection (-128bps) and allocation (-95bps). From a sector perspective, the largest positive contributors were Consumer Discretionary, Utilities and Health Care, while the largest detractors were Industrials, Information Technology, Materials and Real Estate. In Consumer Discretionary, strong stock performance more than offset positioning effects, while Utilities benefited from both supportive positioning and stock-specific gains. Conversely, Industrials and Information Technology detracted meaningfully, reflecting weaker stock performance and less favorable positioning, while Materials and Real Estate also weighed on relative returns.

The largest positive contributors to relative performance included ConocoPhillips (COP) with a return of +42.1% and a contribution of +70bps, Chevron (CVX) +37.1% (+60bps contribution), Applied Materials (AMAT) +33.2% (+57bps contribution), and BorgWarner (BWA) +20.8% (+38bps contribution). Additional support came from NextEra Energy (NEE) +16.5% (+32bps contribution) and Target (TGT) +25.2% (+21bps contribution). Conversely, the largest detractors included Adobe (ADBE) -30.5% (-91bps detraction), MasterBrand (MBC) -24.7% (-55bps detraction), American Express (AXP) -18.1% (-46bps detraction), Diageo (DEO) -18.1% (-33bps detraction), and Walt Disney (DIS) -15.3% (-31bps detraction). Other notable detractors included Axalta Coating Systems (AXTA) (-31bps detraction) and Newmark (NMRK) (-31bps detraction).

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Outperformance among the top contributors was driven by a combination of supportive macro conditions and improving company-specific fundamentals. Energy holdings, including ConocoPhillips and Chevron, benefited from firmer oil prices and continued capital discipline across the sector, with investors focused on free cash flow generation and shareholder returns. Applied Materials advanced as sentiment improved around semiconductor capital equipment spending, supported by expectations for sustained investment in advanced manufacturing and artificial intelligence (AI)-related demand. BorgWarner also performed well as the outlook for global auto production improved and execution on electrification initiatives progressed. NextEra Energy rebounded on continued progress in its renewable development pipeline and improved visibility into long-term growth, while Target benefited from improving sentiment around cost controls and inventory normalisation.

Adobe, a relatively new position in the strategy, declined following weaker forward guidance and concerns around the pace of monetisation of its AI initiatives, as well as increasing competitive pressures. MasterBrand remained under pressure as a softer housing backdrop and slowing renovation demand weighed on earnings expectations. American Express detracted as investor sentiment became more cautious on consumer spending trends and credit normalisation, despite otherwise resilient operating performance.

Diageo, also a relatively new position, underperformed amid continued demand softness in key international markets and ongoing inventory adjustments. Walt Disney also detracted following mixed results and continued uncertainty around the path to streaming profitability. Additional detractors included Axalta Coating Systems and Newmark, reflecting weaker cyclical demand and a slower recovery in commercial real estate activity.

NextEra Energy rebounded on continued progress in its renewable development pipeline and improved visibility into long-term growth.

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	New Capital US Value Fund	Russell 1000 Value Net Index	Difference
1 Month	-4.89%	-4.88%	-0.01%
3 Months	-0.53%	+1.95%	-2.48%
6 Months	+1.11%	+5.68%	-4.57%
YTD	-0.53%	+1.95%	-2.48%
1 Year	+16.80%	+15.19%	+1.61%
3 Years	+36.10%	+46.54%	-10.44%
5 Years	+42.19%	+52.02%	-9.83%
Since Inception Annualised	+9.10%	+10.76%	-1.66%
Since Inception (03/12/2020)	+58.98%	+72.27%	-13.29%

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Outlook

Heading into 2026, the economic backdrop appeared robust, supported by the Federal Reserve's front-loaded interest-rate cuts and fiscal stimulus from lower taxes and capital expenditure bonus depreciation, the One Big Beautiful Bill Act (OBBBA), and was also reflected in near-record equity market valuations. However, the first quarter introduced several meaningful shocks that challenged this constructive outlook.

Chief among them was the growing risk that AI proliferation could disrupt industries long viewed as durable compounders - including software, brokerage, and other asset-light business models. At the same time, geopolitical stability deteriorated, with a regime change in Venezuela and escalating global tensions following a US strike on Iran. Compounding these pressures, stress in private credit intensified, particularly within the Financials and Technology sectors, contributing to wider credit spreads, tightening financial conditions, and rising liquidity concerns. Meanwhile, the Federal Reserve's pause in its easing cycle adds another layer of uncertainty, as policymakers navigate the difficult balance between sticky inflation, elevated oil prices, and decelerating growth.

Against this background, the earnings picture remained a relative bright spot - S&P 500 earnings expectations continued to rise throughout the quarter despite persistent inflation and slowing growth. History, however, counsels some caution: periods of strong earnings growth have frequently coincided with multiple compression, as fundamentals catch up to optimistic sentiment. According to Bank of America Global Research, above-average earnings growth years have been accompanied by P/E multiple compression 66% of the time since 1900. Since the market peak in late January, the S&P 500 Forward P/E multiple has declined by 17%, given numerous market overhangs.

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All sources: EFG Asset Management (UK) Limited ("EFGAM"), Factset, Bloomberg, Morningstar as at end of the month. Any other sources as applicable.

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agree that we may cease providing financial services to you if you are no longer a wholesale client or do not provide us with information or evidence satisfactory to us to confirm your status as a wholesale client;
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