New Capital
Asia Future Leaders Fund

Monthly Commentary | As of 31 July 2026

Executive summary

Key events in market
The MSCI AC Asia ex Japan index was down 3.2% for the month. Hong Kong, Indonesia and Singapore were the best performing markets as South Korea and Taiwan were the weakest of the major markets. Rate sensitive Consumer Discretionary and Real Estate outperformed whilst IT and IT industrial sectors underperformed driven by the severe sell off globally in artificial intelligence (AI) stocks.

Key performance & positioning updates
The Fund was down 5.9% in July. Country allocation was a small positive as our overweight in Hong Kong helped. Sector allocation was a small negative due to our underweight in Consumer Discretionary.

House view

July saw increased market volatility, reflecting the renewed rise in tensions in the Middle East. The US and Iran resumed exchanging military strikes and naval traffic in the Strait of Hormuz collapsed again, boosting energy prices. Furthermore, the Houthis, the pro-Iranian Yemeni rebels, threatened to block the Strait of Bab el-Mandeb south of the Red Sea, a scenario that would have far worse consequences for international trade than the closure of Hormuz.

Overall, the MSCI ACWI index was essentially unchanged during the month, maintaining double-digit gains since the start of the year. Emerging markets corrected, weighed down by profit-taking on artificial intelligence-related stocks - the Korean market being a case in point. It should be noted, however, that quarterly earnings reports significantly exceeded expectations, a factor that will continue to support global equity markets.

The rebound in inflation concerns and the deliberate lack of guidance from Federal Reserve Chairman Warsh contributed to a significant increase in government bond yields in developed markets. The increase in the risk premium penalised longer maturities, leading the yield curve to steepen. Corporate bond spreads also widened from historically low levels, adding to the fixed income market woes.

In currency markets, the yen recovered following the consecutive interventions of the Japanese Ministry of Finance and the Federal Reserve. The Japanese currency's recovery also dragged other major currencies, resulting in the trade-weighted exchange rate of the US dollar losing about 1% over the month. Finally, the price of gold stabilised just above USD 4,000 per ounce.

Looking at the economic outlook, growth remains strong in developed countries, with Europe gaining momentum. The Chinese economy, however, continues to lose steam, but the authorities do not appear ready to launch new stimulus plans. Pressures on inflation are currently primarily due to energy prices, but the longer they remain high, the greater the risk of second-round effects on the prices of other goods and services. Markets are already pricing in central banks adopting somewhat more restrictive policies in the coming months.

Fund performance and positioning

Unsurprisingly, our worst 15 contributors in the month were IT/AI related. Despite our structural underweight in Taiwan (-6/7%), the Taiwan index continues to be supported by Taiwan Semiconductor Manufacturing Company (TSMC), the highest quality, most defensive large cap which makes up about half the index weight. The vast majority of other Taiwan IT stocks, large or small, notably underperformed TSMC and therefore the index. We remain 8% underweight TSMC due to the UCITS 10% cap.

From a sector level, we have been underweight IT 3% for a while, however as performance shows, we are overweight the AI thematic through AI-related industrials outside of the IT sector. Half of the underperformance in the month came from stock selection in the IT sector as those AI names underperformed the opposite trade which had lagged all year, areas such as Consumer Electronics (like smartphones e.g. Xiaomi) that had underperformed on high memory cost input prices. Likewise within IT hardware, PC related names held up for the same reason.

Indian IT services also outperformed having been seen as an AI victim previously. We have essentially no exposure in these areas, firstly because with regard to Indian IT, revenue growth is tangibly slowing and headcount growth is set to be the slowest in a decade going forward, not from efficiencies but simply because budgets overseas have been allocated to AI and AI can do the work of many outsourced IT service workers. With regard to PC and smartphone demand, we were not involved, largely as demand was weak even before memory prices spiked given China demand is coming off a high base and had been abnormally supported by trade-in incentives that have since been curtailed.

Consumer was the best sector driven by Hong Kong, with offline consumer stocks across areas of staples, sportswear and auto but also internet stocks doing well. We don't see this as sustainable given the overall consumer sentiment and spending trends are on the weaker side and earnings revisions back that up. We see this is a natural laggard relief rally where most remain in technical downtrends and simply reached attractive base valuations but importantly with little earnings support now or going forward that we can identify.

Within internet, we only own Alibaba and Tencent as overweights from a relative preference versus absolute. We like Alibaba the most given that we believe they are best positioned for cloud computing and integrating with their own, ever improving AI model. Most of internet names are essentially consumer names exposed to weak spending/advertising and high competition whilst experiencing investment cycles. Our AI exposure we consider relatively diversified (albeit this matters little in AI beta sell offs) with only a marginal overweight/close to neutral in memory in Korea, power related industrials and across China and Taiwan, large and small cap. Our overall weight in Korea is a small underweight and we prefer Taiwan for IT exposure as leverage is less of a concern and price moves are less volatile and more closely reflect stock fundamentals.

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	New Capital Asia Future Leaders Fund	MSCI AC Asia ex Japan Net Total Return USD Index	Difference
1 Month	-5.91%	-3.23%	-2.68%
3 Months	+1.77%	+6.27%	-4.50%
6 Months	+9.79%	+12.87%	-3.08%
YTD	+19.16%	+22.12%	-2.96%
1 Year	+32.46%	+37.54%	-5.08%
3 Years	+55.00%	+75.29%	-20.29%
5 Years	+15.45%	+49.04%	-33.59%
Since Inception Annualised	+12.71%	+10.67%	+2.04%
Since Inception (19/12/2018)	+148.63%	+116.37%	+32.26%

Past performance is not a guide to the future. The value of your investments and the income from them may fall as well as rise as a result of market as well as currency fluctuations and you may not get back the full amount invested. The Fund is actively managed and as such does not seek to replicate its benchmark index, but instead may differ from the performance benchmark in order to achieve its objective. Fund performance is net of fees and representative of the USD I Acc Share Class, OCF 1.04%, and shows a maximum of five previous calendar years and current year to date (computed on a NAV to NAV basis). Where share class inception begins prior to the five previous years the chart has been re based to 100. Where the Fund has fewer than five full years of performance, returns are shown from the inception date. Source: EFG Asset Management, Bloomberg. As at 31 July 2026.

Outlook

With regard to AI, our house view is that we remain constructive on the area medium term (with regard to picks and shovels that we focus on) but see consolidation likely for the next few months after the deep sell off. This is due to high volatility remaining with regards to rate hikes potentially in September and oil prices remaining a key unknown variable along with the historical mid term volatility.

Much has been made of Korean leverage causing such a sell off and whilst leveraged exchange-traded-fund assets under management has fallen significantly, this is simply market to market moves and inflows, until last week, continued. Likewise margin loan balances ticked down, but not by much. This suggests leverage remains and also signals what most investors are thinking - that this is just positioning/sentiment washout and the fundamentals remain strong. This technically is true when looking at current earnings season in IT with good beats, revenue and margin momentum and continued upward revisions.

Even with memory, prices continue to rise (much to the pain of aforementioned consumer electronics). However one historical note to be aware of, the tech bubble popped and prices fell significantly (and didn't recover in most cases) six months before revisions turned. There are some similarities here, where by the end of the tech bubble, huge financing was being raised at elevated stock prices as well as debt to invest in future growth. Rates started to rise and investors realised some of these companies did not have the near year cashflow to pay. So financing dried up and investment dried up and so growth slowed across the supply chain. When looking at credit spreads in these niche areas and initial public offerings coming to the market and the well known circular financing within the supply chain, the same argument could be made that if capital markets grow cautious, investment will be forced to slow and then picks and shovels will fall. Cashflow and balance sheets of course are far better in core players than then and monetisation is coming through for key players through cloud revenue in a stronger fashion than most in the 2000s. Nevertheless this remains the key risk along with the China AI model threat which will ultimately commoditise the global AI model business and push businesses to make money either from downstream application layers or providing the compute upstream, especially if with their own integrated AI model. Currently US results are telling us the market is being selective, being neutral on those with strong monetisation but strong capex and penalising those with weaker monetisation yet strong capex.

Overall, we believe enough global key players will show monetisation to keep capex going and financing will remain available albeit scrutinised, and will provide continued investment to support the hardware that goes along with it. The biggest underlying support of course to the hardware side, is that even if token prices fall due to China competition, usage will unquestionably grow (Jenvons Paradox) that will require continued infrastructure and monetisation can come from scale if not from token pricing.

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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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