BARRANTAGH Investment Management 1995 | 2020 25 Years

Q2 2026

TRADING ACTIVITY

BARRANTAGH INVESTMENT MANAGEMENT
Global Equities

The global equity rally broadened during the second quarter, though leadership remained highly dependent on sector and sub-sector fundamentals rather than uniform industry gains. While AI remains a dominant long-term investment theme, market participation has expanded significantly. AI-related capital spending is broadening out to include supply-constrained compute semiconductors, memory, equipment, power infrastructure, networking, and select industrial automation companies. At the same time, improving economic expectations are driving a cyclical recovery. Conversely, higher interest rate expectations continue to pressure housing and other rate-sensitive sectors, limiting their participation in the broader rally.

Performance dispersion within sectors remained unusually wide. The Magnificent Seven generated strong earnings growth, though returns decoupled as investors prioritized valuation, monetization timelines, and capital allocation discipline. Regionally, U.S. equities benefited from superior earnings growth and secular AI investment, while European markets outperformed in several cyclical sectors on stabilizing manufacturing activity and attractive valuations. This widening opportunity set created a more constructive environment for active management than the concentrated leadership seen last year. This backdrop favors small-cap industrial and automation firms like Regal Rexnord, where a recovery in residential markets and manufacturing activity should combine with structural AI trends to accelerate earnings growth.

BUYS

Alphabet
Alphabet is one of the few tech-based companies that is vertically integrated in the entire AI stack. Its business model includes Google Cloud as a hyperscaler, Gemini models, custom TPU chips, and a base Search business to fully utilize AI and is seeing significant revenue acceleration. This vertically integrated business model provides a robust growth trajectory and operating leverage for many years to come. Outside of its AI stack, its Waymo business is building momentum as well.

Apple
Apple is seeing strong demand for its hardware device sales, particularly its iPhone and Macs. Meanwhile, its 2.5 billion active devices install base and its high margin Services segment continue to provide steady momentum for the company. Its geographic growth is broad based, especially out of China and APAC. Had it not been for capacity limitations, its quarterly guidance would have been even more robust. Moving forward, the company will have to navigate continual supply constraints as well as rising memory prices. Its iPhone 18 lineup will soon debut in Fall 2026, including the first foldable iPhone. Additionally, any upside from AI has not been priced into the stock.

Dell
Dell has solidified its leadership position in neocloud data center deployment. Its AI server business will continue its strong momentum as Nvidia’s Vera Rubin gets deployed. The storage business receives a benefit from the strong momentum in servers.

Nvidia

Nvidia is the undisputed king of AI hardware. By combining hyper-efficient parallel processing chips with a deeply entrenched software platform, they control roughly 80% to 90% of the market for advanced AI computing power. Nvidia's true dominance isn't just their chips; it's their software platform, called CUDA, which allows software developers to program their GPUs for non-gaming tasks such as AI training and inferencing tasks. Nvidia has lagged other semi companies over past 12 months as the AI thesis broadened. Stock is now much more attractively valued vs peers (trading <20x P/E) yet remains a critical enabler of AI growth.

ServiceNow

ServiceNow is a cloud-based software platform that helps companies manage, automate, and track work across different departments. It replaces various siloed software solutions with a single, structured system where every request becomes a "ticket" that is automatically routed to the right person, tracked for progress, and checked off when done. ServiceNow has evolved its platform to run autonomous AI agents designed for specific roles (like IT service, HR, or risk management). AI can be a driver for growth rather than a headwind as the market is pricing in. Valuation has become much more attractive after significant derating over past 12 months. The market continues to gauge whether ServiceNow is an AI beneficiary or an AI loser. We believe it is the former. Software stocks continued to face trading volatility in Q2, with rotation that depends on how AI semis trade.

UnitedHealth

UnitedHealth is showing early signs of a turnaround by reining in costs and executing on a margin recovery. After several years of significant cost pressures due to rising medical expenses and patients returning to see physicians post COVID, UNH has shrunk less profitable insurance regions and repricing its insurance plans. With all of its segments outperforming internal expectations in the past quarter, UNH looks to be in the early phase of its margin recovery story. This combined with the favourable Medicare 2027 final rate notice along with an accelerated buyback, UNH has several catalysts to drive its share price in its turnaround.

SELLS

Boston Scientific saw exceptional mid-teens organic growth in the past couple fiscal years. Recently though, the company saw competitive pressures in its electrophysiology business and saw a change in how the Watchman was used in procedures. The combination of these pressures caused management to lower its 2026 guidance and indicated that it will take some time for both key products to reaccelerate its growth. After management talked down its Watchman growth rate at a broker conference in late-May, earnings revisions will continue to move downwards towards a mid-single digit consolidated organic growth rate in 2026. While the stock trades at a very cheap valuation, we are looking for more clarity of growth reacceleration before we reengage with the stock.

Cooper Companies

Cooper Companies is in a tepid contact lens industry while the recovery in its women's health business is taking longer than expected. We exited our position in Cooper in Q2 as the growth may take longer to inflect higher.

Jacob Solutions

Jacob Solutions has been reporting solid growth rates in its recent earnings, along with record backlog and a full year guidance raise. However, the negative AI rhetoric on engineering firms have weighed on its share price and its peers.

LyondellBasell

LyondellBasell was purchased in March as a hedge that the Strait of Hormuz will be blocked for a longer time period and oil prices will spike. As the different sides have discussions about a possible resolution, and oil prices hovering around $100 WTI and not spiking further, we decided to exit our position in LYB.

Proctor & Gamble

Proctor & Gamble posted solid consolidated organic growth of 3% last quarter, including a North American organic growth of 4% that included 3% volume. However, inflation will begin to eat into its profits in subsequent quarters, including a $1 billion impact on next fiscal year's EBIT if oil prices remain near the $100 level. Additionally, management is increasing its investments to accelerate momentum with consumers. As a result, management guided towards the low end of this year's EPS guidance range.

Service Corp.

Service Corp has been experiencing difficult funeral volumes, particularly in its latest quarter in which the soft flu season led to negative funeral volumes for the quarter and for the year. This was partially offset by strong pre-need cemetery as consumers has sufficient disposable income to plan for their elderly future.

Willis Towers'

Willis Towers' organic growth rates showed a notable deceleration due to some delays by customers (due to the Middle East conflict) and softer pricing environment. This unfortunately plays into the bear thesis regarding AI disruption.

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