

Dear Valued Clients,

Hello everyone and I hope this update finds you well as we move deeper into summer. Here's our recap of market action for the week ended July 24, 2026, along with thoughts on our strategy positioning and the outlook ahead.

MARKET RECAP

U.S. equity markets posted a second consecutive weekly decline, with losses concentrated in technology and growth-oriented names. Investors digested a mixed batch of high-profile earnings results, renewed scrutiny of the pace and returns on hyperscaler capital expenditures, and ongoing geopolitical tensions in the Middle East that supported higher oil prices. The result was another week of elevated volatility and rotation.

<u>Index</u>	<u>Weekly Change</u>	<u>Key Notes</u>
S&P 500	-0.61%	2nd straight weekly loss and close below 50dma
Nasdaq Composite	-2.1%	Tech-led weakness, 2 nd straight weekly close below 50dma
DJ Industrial Average	-0.4%	Relatively more resilient but 3 rd straight weekly loss but is +1% above 50dma

Sector Snapshot:

- Semiconductors remained volatile following the prior week's sharp drawdown, though the Philadelphia Semiconductor Index (SOX) showed some mid-week strength with the Goldman Sachs High Beta Momentum gaining +9.3% Tuesday, the best one-day rally in the last 5 years following a -33% drawdown. Geopolitics impacting AI as Moonshot AI (China) accused of distilling Anthropic model and accessing Nvidia banned chips.
- Mag 7 earnings rough start as Alphabet (GOOGL) fell -7.1% on Thursday and Tesla (TSLA) lost -14.5% Thursday. GOOGL weak on raising its to cap ex guide to \$195B to \$205B for 2026 from \$180 to \$190B prior Q and first negative FCF print ever.
- US Treasury yield on the 10-year above 4.7% for the first time since early 2025 and the 30-year above 5% for the longest time frame in 19 years.

- White House announced new tariffs ranging from 10% to 12.5% on 60 economies citing prevention of forced labor is supply chains to the detriment of US workers and a second set of investigations underway with focus on China, Japan, Mexico and the EU. Tariffs followed Monday announcement that Trump would impose a 50% tariff on some Canadian goods and 25% tariffs on some Brazilian imports last week.
- Energy continued to benefit from elevated crude prices amid Middle East expansion of hostilities and Red Sea emerging as a 2nd potential chokepoint for shipping. Defensive areas and certain non-tech cyclical held up better on a relative basis.

Technical Context: The broader market continued to test key moving averages. The Nasdaq remained below its 50-day moving average, while the S&P 500 hovered near critical short-term support levels. Like prior consolidations in this cycle, the primary uptrend in the AI infrastructure theme remains intact on intermediate- and longer-term timeframes, consistent with healthy digestion of earlier gains rather than a structural break.

Despite the headline pressure, underlying corporate fundamentals across much of the AI ecosystem continued to demonstrate strength, particularly in demand indicators and capacity commitments.

OUR STRATEGY & POSITIONING

Our focused infrastructure strategy — emphasizing high-quality growth companies across AI semiconductors, high-speed interconnects, optics/photonics, data center infrastructure, and related power plays displayed high volatility once again. High-beta enablers and certain memory/storage names experienced continued swings as the market weighed near-term valuation and capital intensity concerns against multi-year demand visibility.

Notable dynamics in our universe reflected the broader rotation and earnings digestion: names with the highest recent momentum and valuation multiples remained under the most pressure at times, while companies delivering clear evidence of accelerating AI-related demand (or showing improving execution) found relative support. We maintained our disciplined approach — prioritizing strong earnings/sales momentum, expanding margins where visible, technological differentiation, and multi-year growth visibility — without making major tactical shifts. That said, we are beginning to nibble on data center developer, Nebius (NBIS) and Korean HBM manufacturer, SK Hynix (SKHY).

Key positives supporting our long-term thesis this week:

- **Hyperscaler Capex Trajectory:** Alphabet's Q2 results highlighted the intensity of the buildout. The company reported strong overall revenue growth (+24% to \$119.8 billion) and exceptional Google Cloud growth (+82% to \$24.8 billion), while raising its full-year 2026 capital expenditure outlook to a range of \$195–205 billion (from the prior \$180–190 billion). Capex in the Q2 reached \$44.9 billion, the large majority directed at technical infrastructure to support AI. While the market initially reacted with concern over spending levels and negative free cash flow for the first time ever, the upward revision reinforces the scale of ongoing investment across the hyperscaler complex.
- **Demand Confirmation from Semiconductors:** Intel delivered a strong quarter, with revenue of \$16.1 billion (+25% year-over-year — its fastest growth rate since 2011) and adjusted EPS well ahead of expectations. Data center strength was notable, and forward guidance also topped consensus, providing further evidence of real AI-related demand flowing through the broader chip ecosystem.
- **Mixed but Informative Broader Results:** Tesla reported record revenue but missed profitability metrics amid margin pressure and elevated investment spending. ServiceNow (NOW) continued to show solid progress in AI-related metrics. Collectively, the reports underscore both the opportunity and the capital intensity of the current phase of the AI cycle.

Notable Movers in Our Universe: Wabtec (WAB) surged +15.4% on earnings, Lumentum (LITE) bounced +4.1%, Nvidia (NVDA) added 2.0%, Micron (MU) jumped +8.5% despite a -7% setback Friday, Sandisk (SNDK) bounced +6.0% despite suffering a large pullback (-10.8%) Friday, AMD bounced +5.3%, and Credo Technology Group (CRDO) rebounded +5.2% despite a -9.9% setback Friday.

We continue to view periods of elevated volatility and rotation as inherent to a multi-year secular theme of this magnitude. Cumulative AI and supporting infrastructure spending from 2025–2030 remains projected in a very substantial range of \$7.5 trillion to \$10.4 trillion (as of last week with the bump up in Google cap ex likely to be followed by others and raising the totals) providing a powerful longer-term tailwind.

OUTLOOK FOR NEXT WEEK & BEYOND

The week ahead (July 27–31) features a heavy slate of mega-cap technology earnings, including reports from Microsoft, Meta, Apple, and Amazon. Commentary on AI capital

spending plans, demand trends, monetization progress, and margin trajectories will be closely watched and is likely to drive near-term sentiment across the infrastructure complex. There is an avalanche of earnings reports to come in the AI and AI infrastructure build out including Applied Digital (APLD), Celestica (CLS), Bloom Energy (BE), Corning (GLW), Vertiv (VRT), Silicon Motion (SIMO), Fortinet (FTNT), Quanta Services (PWR), Mastec (MTZ), Myer Group (MYRG), Modine (MOD), Amphenol (APH), Entergy ETR), Nebius (NBIS), Teradyne (TER), and others.

The Federal Open Market Committee meeting (July 29–30) will also be in focus for any updates on the policy outlook amid ongoing inflation and growth data. Geopolitical developments and energy prices remain additional variables.

Our view: Near-term volatility and rotation are likely to persist as the market continues to scrutinize valuations, capital intensity, and the path to returns on the massive AI buildout. At the same time, the secular drivers — competitive hyperscaler capacity expansion, technological advances across chips, memory, optics, networking, and power, and broadening enterprise and government adoption — remain firmly in place. Alphabet’s higher 2026 capex guidance is a constructive signal for the ecosystem even if it contributed to short-term pressure on the stock itself.

We will continue monitoring developments closely and positioning portfolios to participate in this transformative theme while remaining disciplined on risk and valuation. Periods of consolidation have historically created attractive opportunities for long-term investors focused on high-quality compounders in the AI infrastructure stack.

Thank you for your continued trust. Please reach out anytime with questions about your portfolio or the markets — I’m always happy to discuss. Wishing you and your families a strong week ahead.

John D. Edwards, CFA

Sr. Portfolio Manager – Infrastructure PLUS Equity Strategy

Disclaimer

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