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MTC Asset Management
Founders Fund

Commentary (Founders Fund)

June 2026

Written by Devan Linus, Chief Investment Officer

Objective

MTC Founders Fund ("Founders", "MTC" or the "Fund") aims to achieve a net return of 8-12% p.a. over a 3-5-year period by investing in a portfolio of global listed equities. MTC invests predominantly in large cap companies listed in the US and other developed countries and employs a value driven, bottom-up investment approach. MTC's benchmark is the Straits Times Index ("STI") and the MSCI All Country World Index ("MSCI ACWI"). The STI was chosen as a benchmark as MTC's investors are predominantly from Southeast Asia and benchmark themselves to Singapore. MSCI ACWI is the second benchmark as it was designed to best represent broad global equity-market performance. Performance is reported in USD.

Performance

MTC delivered a since inception net return of 264.4% (9.7% p.a.), significantly outperforming the STI but slightly underperforming the MSCI ACWI, which returned 68.3% (3.8% p.a.) and 269.0% (9.8% p.a.) respectively.

Benchmark Comparison

Founders, STI & MSCI ACWI

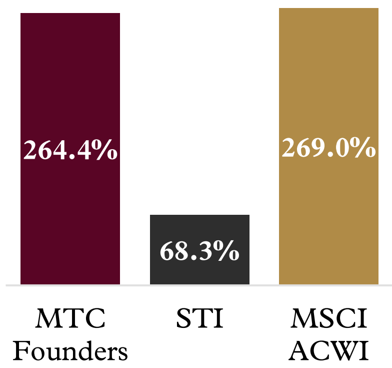
Founders returned 0.3% in Q2 2026 and is down 11.5% YTD. The quarter was essentially flat, but not without volatility. In April, the Fund appreciated 10% and recovered its losses for the year. We used that strength to rebalance, take profit on selected securities and reduce leverage, even as markets continued to rise despite the war in Iran and the closure of the Strait of Hormuz. Our intention was to return to a net cash position. That did not happen. As our 'Speciality Retail' holdings continued to depreciate, we increased our positions at lower valuations and accepted the near-term hit to performance. This is why Founders ended the half down 11.5% and still 6% levered rather than holding cash. The STI and MSCI ACWI returned 5.3% and 14.5% during the quarter, taking their YTD returns to 10.6% and 10.4%, respectively. The MSCI ACWI's advance continues to be driven largely by bullishness around AI.

NAV

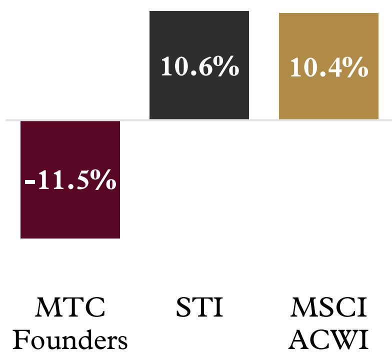
Class S: 364.38

Performance

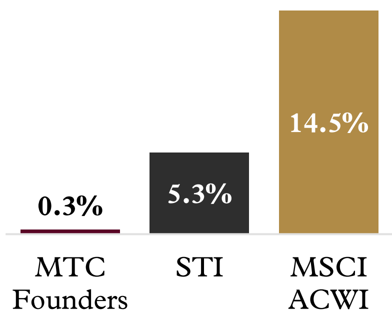
Since Inception (24 Jul 2012)



Year to Date (Jun 2026)



Quarter (Jun 2026)



Markets

Closure of the Strait of Hormuz & AI Bubble

In our previous commentary, we wrote that the uncertainty surrounding the Iran conflict and oil prices did not warrant a complete exit from equities, and the elevated valuations and the potential formation of an AI bubble posed a greater risk. That view has so far been borne out. The S&P 500 and MSCI ACWI had a negative March, but were positive in each month of Q2 2026. Specific AI semiconductor stocks continued to rally despite the closure of the Strait of Hormuz. The five leading S&P 500 performers in the table below ended the first half with triple-digit returns.

S&P500 Top 5 Performers				Historical AI Darlings			
	YTD Return	**Q1 Return**	**Q2 Return**		***YTD Return***	**Q1 Return**	**Q2 Return**
Sandisk	***858%***	168%	258%	**ASML**	***82%***	19%	52%
Micron	***304%***	18%	242%	**TSMC**	***53%***	11%	38%
Intel	***278%***	20%	216%	**Alphabet/ Google**	***14%***	-8%	24%
Western Digital	***271%***	57%	136%	**Broadcom**	***9%***	-11%	22%
Marvell	***250%***	17%	201%	**Nvidia**	***7%***	-6%	15%

All ten stocks performed better in Q2 than in Q1, despite the closure of the Strait of Hormuz. More interestingly, Nvidia - the company most closely associated with the explosion in AI - was not a top performer in the first half of 2026. Our view is that the market became cautious that Nvidia's share price and market capitalisation had run too far, and that its revenue growth may be difficult to sustain, so attention moved to other parts of the semiconductor value chain. Alphabet, which created Gemini, a top-three AI app, also lagged the other AI-related names.

We owned several of these semiconductor companies as recently as last year. In hindsight, having exited them in Q3 2025 makes us look foolish. But the investment question remains: are gains of 200-800% in six months sustainable? If we extend the period to nine months, some figures move into quadruple-digit territory. Earnings for the top five performers have increased significantly, but will the world continue to pay expensive prices for semiconductors when it was unwilling to do so for much of the two decades after the dot-com bubble?

Some experienced hedge fund managers, including Jeremy Grantham of GMO, Ray Dalio, formerly of Bridgewater, and Michael Burry of Scion, have explicitly stated that markets are in a bubble. SpaceX, a company that has still not turned a profit, listed on the back of plans to put data centres in space at a US$1.8 trillion valuation, despite just generating approximately US$18 billion of sales in 2025 (a 100x price-to-sales ratio).

How the AI Narrative has Evolved

Nvidia and Broadcom first ran up significantly in 2024-2025 because AI models needed graphics cards for training. The leading models now include Claude by Anthropic, ChatGPT by OpenAI and Gemini by Alphabet/Google. Hyperscalers and model creators were willing to pay exorbitant prices because there were not enough graphics cards, which had previously been produced mainly for computer gaming and later for crypto. Whilst, Nvidia is better known, Broadcom also creates custom graphics cards for hyperscalers.

How the AI Narrative has Evolved (continued)

Initially, the models focused mainly on training, which created the need for these AI graphic cards. However, once the models had been trained on the internet's accumulated data from the past 30+ years, attention shifted to inference - the process that occurs when a user makes a query and the model responds. The investment logic is that inference increases demand for RAM and possibly CPUs, while the trained-model data and history of queries still need to be stored.

For RAM, the companies identified here are Micron and potentially Sandisk; for storage, the companies are Sandisk and Western Digital; and for CPUs, Intel. So how did Marvell move from a 17% return in Q1 to 201% in Q2? Marvell historically made controllers, which were not regarded as the most important chips in a computer or server. The latest AI narrative, which may be correct from an engineering perspective, is that data-centre performance and efficiency can be improved by optimising or upgrading controllers. Hence Marvell's Q2 2026 run-up. For comparison, Marvell declined 23% in 2025.

The point of this long story is that the narrative about which semiconductor matters most for AI keeps evolving, as does what data centres and hyperscalers are willing to pay. In 2024-2025, they paid exorbitant prices for graphics cards; in Q4 2025, the focus moved to memory and storage; in 2026, it appears to be controllers. Let us also not forget the cost of building the data centres, cement and steel, and the electricity required to run them. Who is paying for all of this?

At the time of writing, most people use AI chatbots as free users. OpenAI and Anthropic remain heavily loss-making, while Alphabet's profitability still comes primarily from advertising. We have not yet factored in the many other models, including Mistral, Grok and the Chinese models, which are also not profitable. At the same time, data-centre costs have ballooned beyond what was estimated last year. At what point will the hyperscalers and data centres say they are no longer willing to pay these prices for semiconductors?

Our conclusion on AI

We have not said it this explicitly before. Given the numbers and data above, I am now prepared, as CIO, to put it in writing: "We are in a bubble.". That does not mean money cannot be made. If one plays the semiconductor theme at the right-time, takes profit and rotates at the right moment, it is possible to make more than 500% in six months. Unfortunately, we ourselves did not wait long enough to ride the bubble. Call it overcaution or call it stupidity. Ultimately, and however, we are value investors and manage other people's money - our investors' money. We must stick to the Fund's philosophy and cannot chase momentum even if its AI, the next most important industry. Furthermore, this is despite our understanding of the semiconductor value chain and our commentaries since 2012 arguing for semiconductor exposure. Discipline matters most when it makes us look foolish in the short term. AI itself might not be a bubble (i.e. it is going to be widely adopted, unlike tulips), but many stocks operating in AI are being priced with bubble like prices and should eventually crash.

Portfolio

Overall Changes

During the quarter, we increased exposure to companies that became cheaper, took profit elsewhere, exited one Broadline Retail holding and reduced leverage from 10% to 6%. As share prices declined and we added to existing positions, the portfolio's deep value allocation rose from 32% to 54%.

Portfolio (continued)

Industry Breakdown

- Speciality Retail (35%) – Our selected companies continued to depreciate mainly because growth slowed, and not because revenues and profits declined. Multiples contracted, so share prices fell despite broadly unchanged profits. We added after further double-digit declines, taking the segment to 35% of the portfolio. As long-term owners, the distinction between weaker share-price behaviour and stable business fundamentals matters.
- Interactive Media & Services (23%) – The companies here are selected hyperscalers or Big Tech, which we believe offer a safer way to invest in AI. They declined slightly as investors preferred the semiconductor companies selling the hardware to the hyperscalers/datacentres incurring the high-capex required to buy it. Whilst high-capex remains a risk for our selected companies, their existing businesses have strong moats and generate enough profit and cash flow to cover losses in their AI divisions. If the bubble pops, capex costs should fall and if our companies successfully use AI to improve their existing businesses, their profit margins should recover over the medium-long term.
- Broadline Retail (12%) - Our selected companies declined, and we exited one holding to reduce leverage. Although GICS classifies our remaining companies as Broadline Retail, the underlying business is really e-commerce, which is invested in leading models and using AI extensively. This can therefore be regarded as another AI exposure, although profits still come mainly from e-commerce.
- Others (30%) – This category now accounts for 30% of the portfolio, reflecting negative price movements in other industry segments and our deliberate additions to cheaper companies in industries not named above.

Outlook

Whilst we are likely to be right about a bubble, we can still be wrong on timing. It may burst this year, two years from now or later. Even with our view of a bubble, we are still fully invested, as we believe our portfolio can still perform. Our reasoning is that we are 65% invested in non-AI stocks, and a significant majority of that exposure is in deep value. Overall, 54% of the portfolio is classified as deep value. We are also more geographically diverse than before, with 36% of the portfolio invested outside the US.

We believe AI semiconductor stocks should eventually correct sharply. Beyond AI, the US market is at an all-time high and is close to the valuation levels seen just before the 1999 technology bubble burst. The main risk to our non-AI holdings is not that they are expensive. It is that a decline in AI forces leveraged investors to sell other holdings to meet margin calls or day-to-day liquidity needs. When liquidity is needed, investors sell what they can, not always what they want. That can pull the whole market down. The Fund would probably decline too, but given its current composition, we would expect it to decline in line with or less than the market.

In the meantime, because we do not believe the market can ever be timed, we remain invested in a portfolio that should still do reasonably if the bubble does not burst and the bull run continues. Whilst participating in momentum can be very lucrative, selling at the ultimate peak is very hard. Hence, we have made moves that sacrificed short-term gains, as capital preservation comes first; and our main goal is not to lose money. Patience remains necessary, but it must be paired with valuation discipline and sensible leverage. Some examples of us sacrificing further short-term gains for discipline are; we made approximately 200% in Victoria's Secret, sold it in Q4 2025 and missed a further 50% in H1 2026; we made up to 100% in semiconductor stocks by Q3 2025, but missed a further 500% into 2026. Whilst the first example seems prudent and smart, the second does not. But we must not be fooled into thinking that investing is always like the second, as the run-up velocity in AI semiconductor stocks has not been seen since the 1995-1999 period, when similar run-ups occurred in internet stocks. What is more important from the example, is to remember what happened after the run-up in internet stocks.

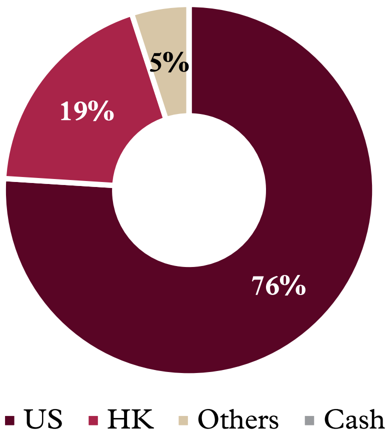
Outlook (continued)

As we finish our outlook, congratulations to readers who made money in these AI stocks. If one still believes in the AI theme, the names are obvious and can be bought in one's personal account. But a fund for investors, especially a value fund such as MTC Founders Fund, should not participate in this euphoria. Our discipline remains simple: buy good businesses with moats at deep value, trim at fair value, preserve liquidity and keep leverage under control. We have made 9.7% p.a. after fees doing this, and we will end with the statement: “We would rather get out early than be the last ones standing when the music stops”

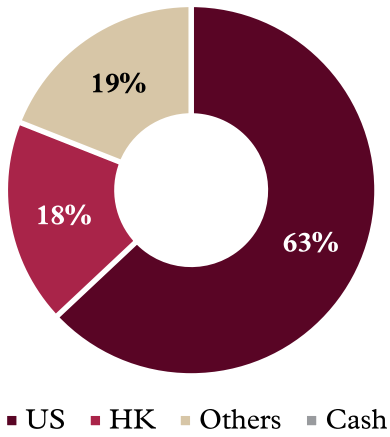
Charts 1: Company Listing and Industry Breakdown

Company Listing Breakdown

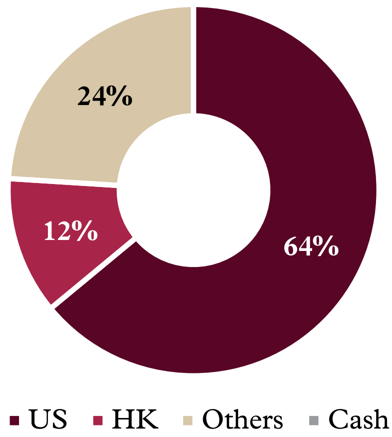
Prior Year (Jun 2025)



Prior Quarter (Mar 2026)



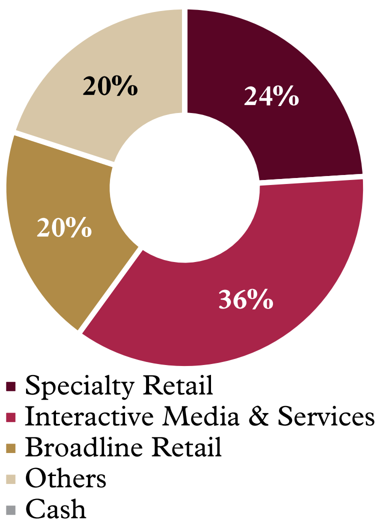
Current Quarter (Jun 2026)



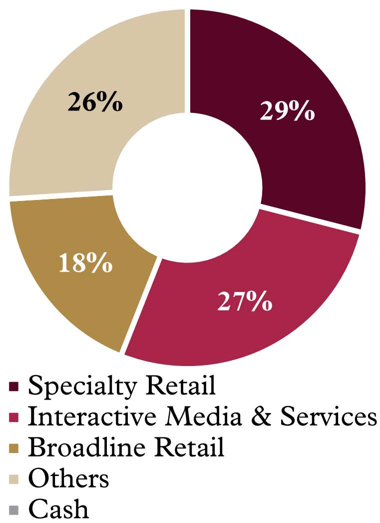
The depreciation of our Chinese holdings, the exit of one holding and the deliberate increase in positions listed in 'Others' changed the portfolio's listing composition.

Industry Breakdown (GICS)

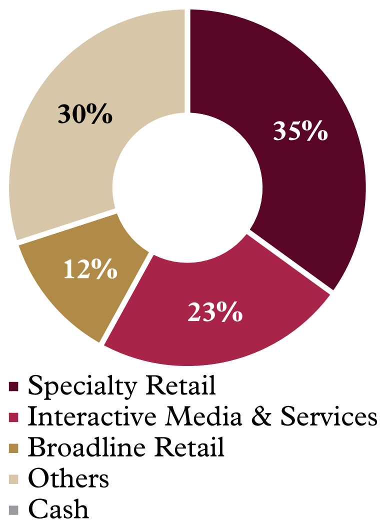
Prior Year (Jun 2025)



Prior Quarter (Mar 2026)



Current Quarter (Jun 2026)

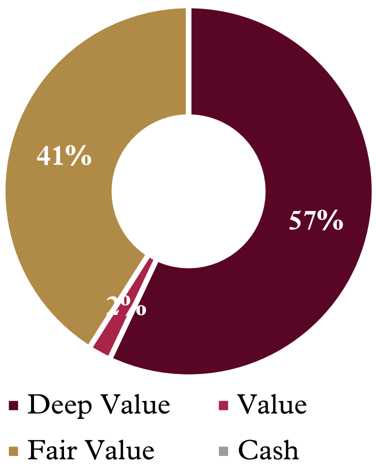


We increased our stakes in 'Speciality Retail' and 'Others' as valuations became cheaper, and trimmed elsewhere.

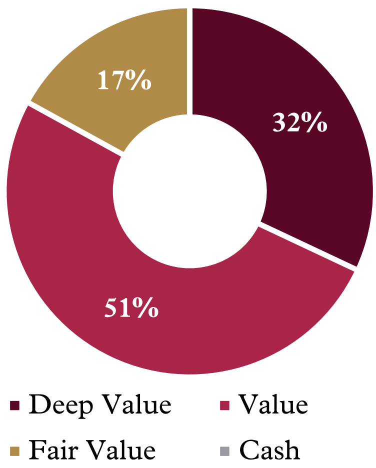
Charts 2: Value and Leverage Breakdown

Value Breakdown

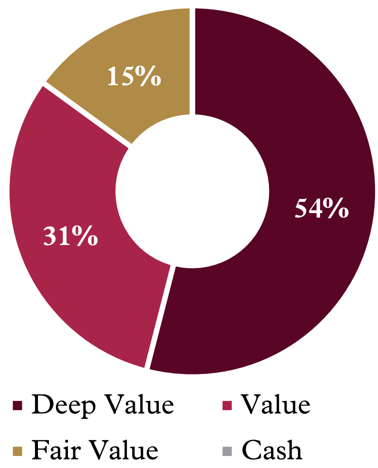
Prior Year (Jun 2025)



Prior Quarter (Mar 2026)



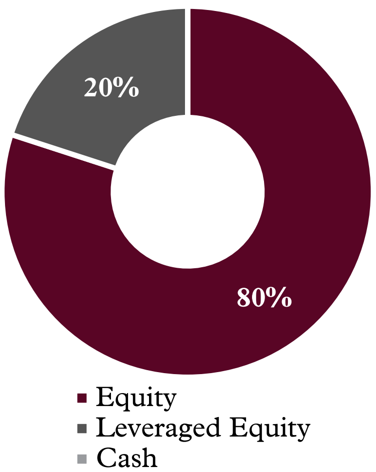
Current Quarter (Jun 2026)



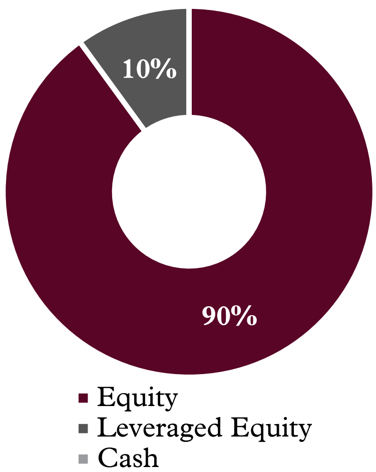
Share-price declines in existing holdings, together with our additional purchases, increased the deep value allocation to 54% in Q2 2026.

Portfolio Leverage Breakdown

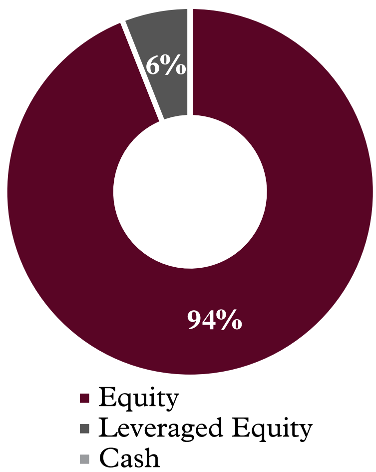
Prior Year (Jun 2025)



Prior Quarter (Mar 2026)



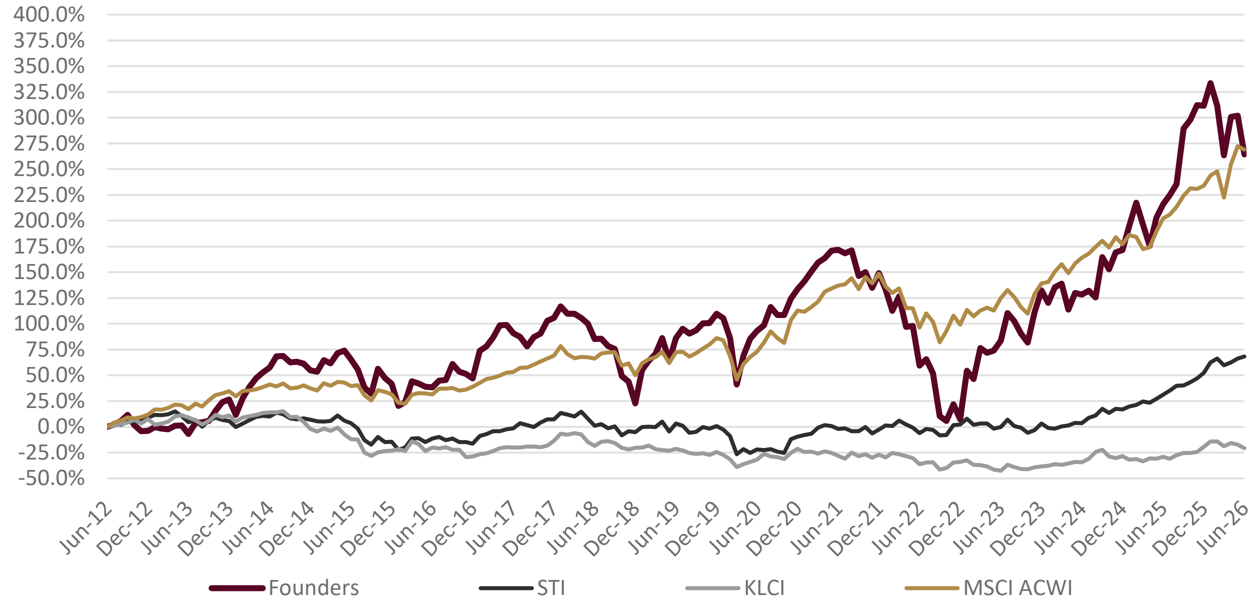
Current Quarter (Jun 2026)



As the market continued to rally despite the war in Iran, we took profits proportionately and reduced leverage to 6% in Q2 2026.

Charts 3: Performance

Since Inception (Jul 2012 – Jun 2026), net of fees, USD



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