



A Commodities Supercycle In Its Early Stages

Total Returns (Net of Fees) ⁺	Q2	Regional Indices	Q2
GVA International Small Cap	3.9%	MSCI Japan Small Cap	12.5%
MSCI All Country World ex-USA Small Cap Index*	9.6%	MSCI United Kingdom Small Cap	9.4%
MSCI All Country World ex-USA Small Cap <u>Value</u> Index	7.9%	MSCI Emerging Markets Small Cap	13.7%
MSCI All Country World ex-USA Small Cap <u>Growth</u> Index	11.5%	MSCI Europe ex UK Small Cap	6.8%
		MSCI Pacific ex Japan Small Cap	5.4%

	GVA International Small Cap Net Return	MSCI ACWI ex-USA Small Cap Net Return*
1 Year	24.8%	19.8%
3 Years**	18.5%	16.4%
5 Years**	8.6%	6.3%
Since Inception**	7.0%	7.1%

*Benchmark | **Annualized | *Net of fee performance was calculated by retroactively applying the highest model fee for the composite which is the fee new clients would expect to pay based on the early adopter fee schedule (0.60%).

2Q26 Market Dynamics

Following a disappointing first quarter, markets came roaring back in Q2 with major global indices reaching all-time highs. The rally was marked by impressive corporate earnings growth, a cease-fire announcement with Iran, and continued optimism around capital investments in the AI supply chain. On a global basis, every sector posted positive returns in Q2, apart from Energy. Oil prices collapsed 35% off their May peak corresponding to Iran newsflow, with Brent crude oil ending the quarter at \$73 per barrel. Technology was, by far, the strongest sector in the quarter, posting a remarkable 39% return. The strongest gains in the Technology sector were seen in companies outside the Magnificent 7, as investors shifted their attention to the picks and shovels of AI.

The market recovery was widespread in absolute terms, with strong performance across regions, size, and style. The risk of global recession remains low (for now), but policy uncertainty, inflation risk, and geopolitical unrest will be monitored closely.

GVA's core strategies saw weak relative performance in the quarter. Our Global Equity, International Small Cap, and Emerging Market strategies underperformed as our significant bets in Technology (underweight) and Energy (overweight) both worked against us. Meanwhile, our recently launched Natural Resource strategies outperformed, due to our underweight position in Energy and strong stock selections in Europe.



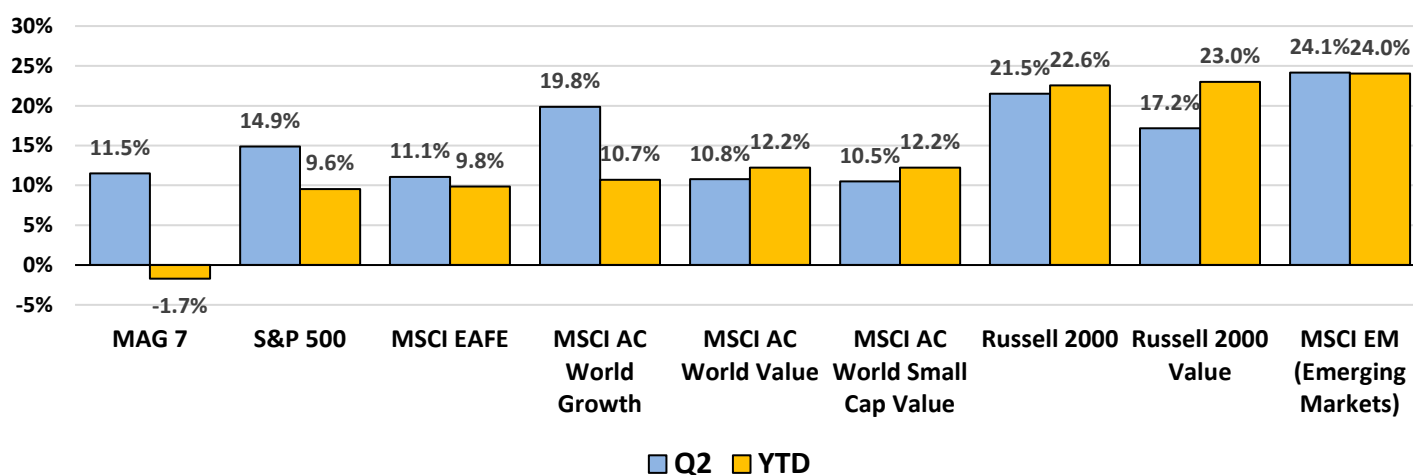
GVA's systematic process continues to find the most compelling global investment candidates in Small Caps, ex-US, and Value. All of these factors have underperformed for more than a decade and are primed for a rotation. GVA's systematic process is making large active bets on the intersection of these 3 "mega-trends," which GVA believes offers an attractive medium-term opportunity.



GVA's positioning in these factors was mixed during the second quarter. Small Caps outperformed Large and Emerging Markets outperformed the US, which both worked in our favor. However, EAFE underperformed the US and Value underperformed Growth, creating headwinds to our strategies.

More importantly, cheap companies with positive FCF and positive shareholder returns (a core element of our process) outperformed the market on a global basis in the second quarter, building on the momentum set in 2025.

Total USD Returns By Asset Category



Source: Factset. MAG 7 = "Magnificent Seven" stocks – Apple (AAPL), Microsoft (MSFT), Alphabet (GOOGL), Amazon (AMZN), Nvidia (NVDA), Tesla (TSLA) and Meta Platforms (META)

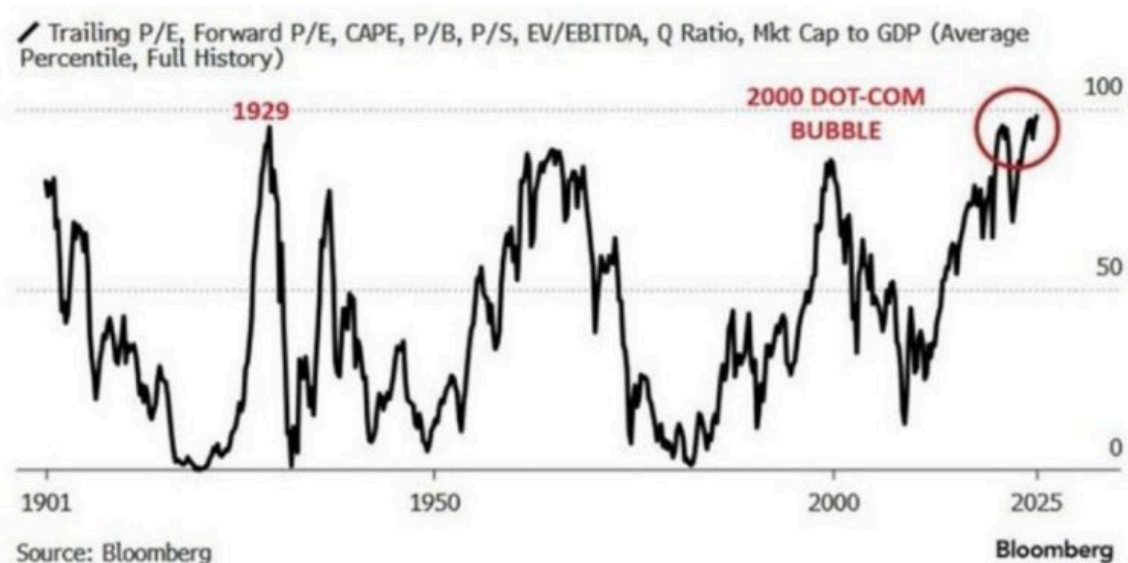


Hyperscalers vs. Natural Resources

GVA believes the AI revolution under way is of the same magnitude as the main technological innovations of the past 180 years (Railroad, automobile, radio, computer & internet). As we are in the early stage of the AI disruption, the nature and the depth of its economic and societal effects remain highly speculative and impossible to fully predict and model. Financial markets are reacting to this in a similar fashion as in the previous events: euphoria around the promises, massive inflow of capital and detachment of prices from fundamentals, leading to extreme overvaluation and extreme market concentration as illustrated here:

Market Overvaluation

Average market valuations are currently the most expensive on record. Each of these speculative bubbles ended in the same way, with a dramatic collapse.



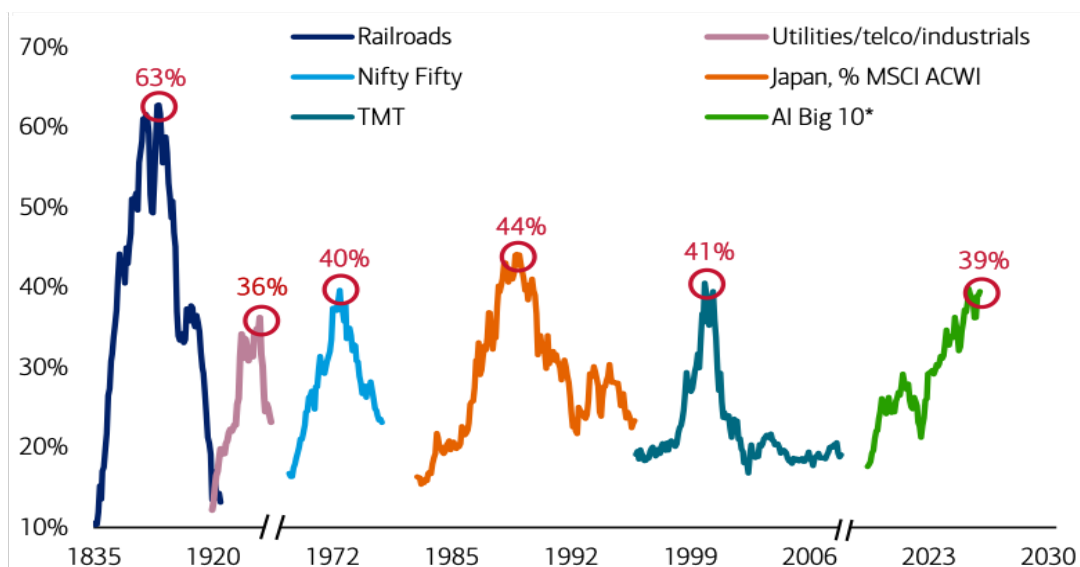
Market Concentration

With the exception of the railroad bubble in the late 1800s, all other bubbles peaked at roughly 40% market concentration.



Chart 3: AI 39% of SPX...bubble concentration ceiling ex. railroads

History of stock market concentration measured as % of US market cap



Source: BofA Global Investment Strategy, GFD Finaeon, Bloomberg. Note: Japan is measured as % of MSCI ACWI, all others as % of US stock market. **AI Big 10* = Magnificent 7 + Broadcom, AMD, Micron.

As equity indices roar to all-time highs and market valuations exceed levels only tested once or twice in the past century, GVA has been focusing its attention on investment opportunities in the non-exuberant segments of the market.

Guided by its investment process, GVA has identified an Advantaged Subset of the investment universe consisting of companies GVA believes have structural tailwinds. All these companies rely on the cash generated by their operations to finance their growth; they return what is left to their shareholders either directly via dividends or indirectly through share buybacks or debt repayments. These companies typically deliver higher profitability with a lower financial leverage than the rest of the universe. Importantly, most of these companies trade on half the market's valuation multiples. These cheap companies, whose free cash flow generation and disciplined capital allocation are sustainable based on a thorough analysis of their business model, financial flexibility and management discipline, represent the typical stock held in GVA's strategies.

The portfolios derived from GVA's approach are unconstrained as far as country or sector weights are concerned. Currently, all GVA's strategies express significant bets in emerging markets, financials and natural resources. Our [Q3 2025 market commentary](#) included a detailed walk through what, GVA believes, is one of the most compelling investment opportunities available for contrarian investors: global natural resources.

Since that quarterly commentary, the natural resources' investment case has been reinforced by recent developments.

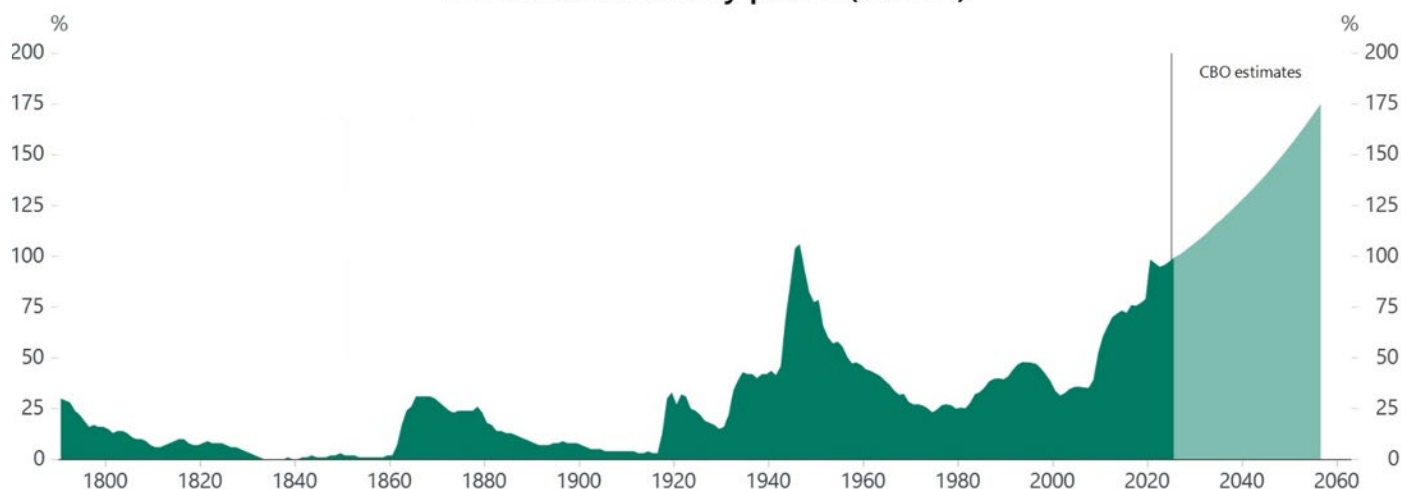
Interest rates backdrop

GVA's thesis rests on the belief that we are witnessing a paradigm shift characterized by a new interest rate regime, where nations may tolerate higher rates to manage debt. As analyzed in GVA's report, natural resources typically outperform in rising rates environment. The US National Debt sits at a record \$40 trillion (and rising), with annual interest payments to service that debt already exceeding \$1 trillion.



Roughly 25% of the debt pile will have to be refinanced in the next 12 months, at higher interest rates. For comparison, the National Debt first crossed \$30 trillion in February of 2022, meaning that it took less than 5 years to grow \$10 trillion. Under current policies, the US government debt outstanding will grow from 100% of GDP in 2026 to 175% in 2050, as the budget deficit is expected to remain above 5% in the coming years. Similar observations and projections are made for the main developed economies.

Federal debt held by public (% GDP)



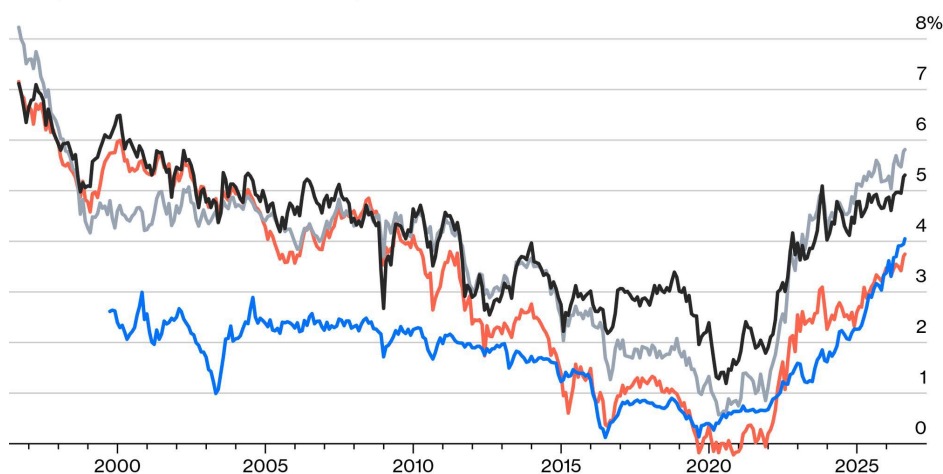
Source: US Congressional Budget Office (CBO), Macrobond, Apollo Chief Economist

The recent moves in Long Term yields seem to validate this thesis, as fiscal excesses and the debt hungry AI infrastructure buildup have propelled long term rates back to a 20 year high.

The Only Way Is Up

Across the world, 30-year yields are the highest in decades

Japan US UK Germany



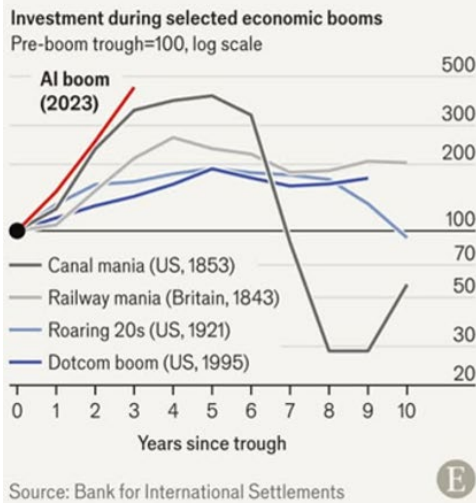
Source: Bloomberg



Capex Boom

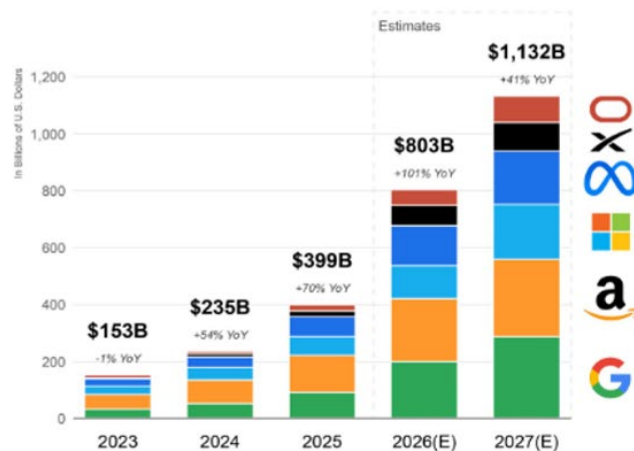
This move in rates, is coupled with a significant capital expenditure boom fueled by the AI revolution, industrial re-shoring, rising defense budgets, and climate change mitigation efforts. The global pandemic, the return of the war in Europe and in the Middle East have exposed the vulnerabilities of asset light nations. To rebuild their economic sovereignty and resilience, nations have embarked on a massive investment program expected to last decades.

The AI boom is becoming the largest investment surge in history

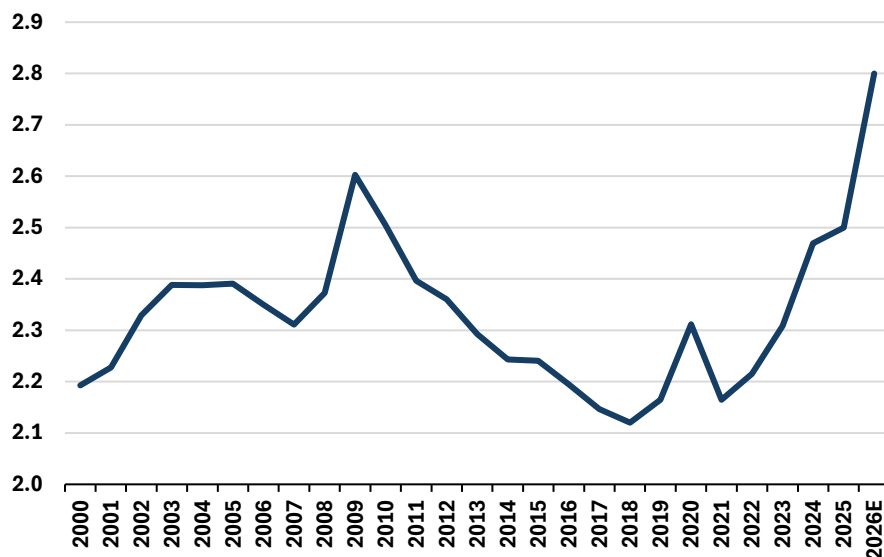


HYPERSCALERS

Capital expenditures



Global Defense Spending as a % of GDP

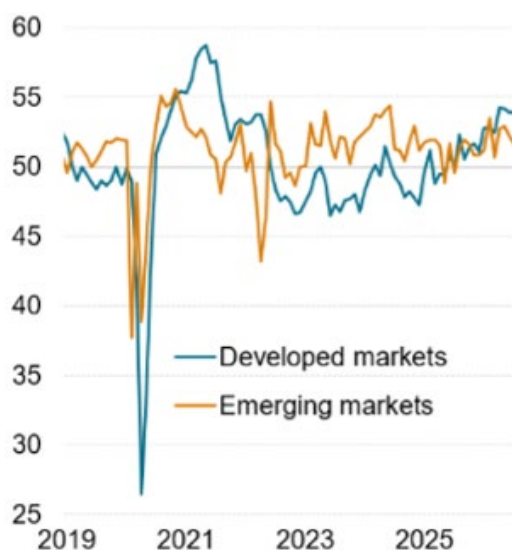


Source: SIPRI



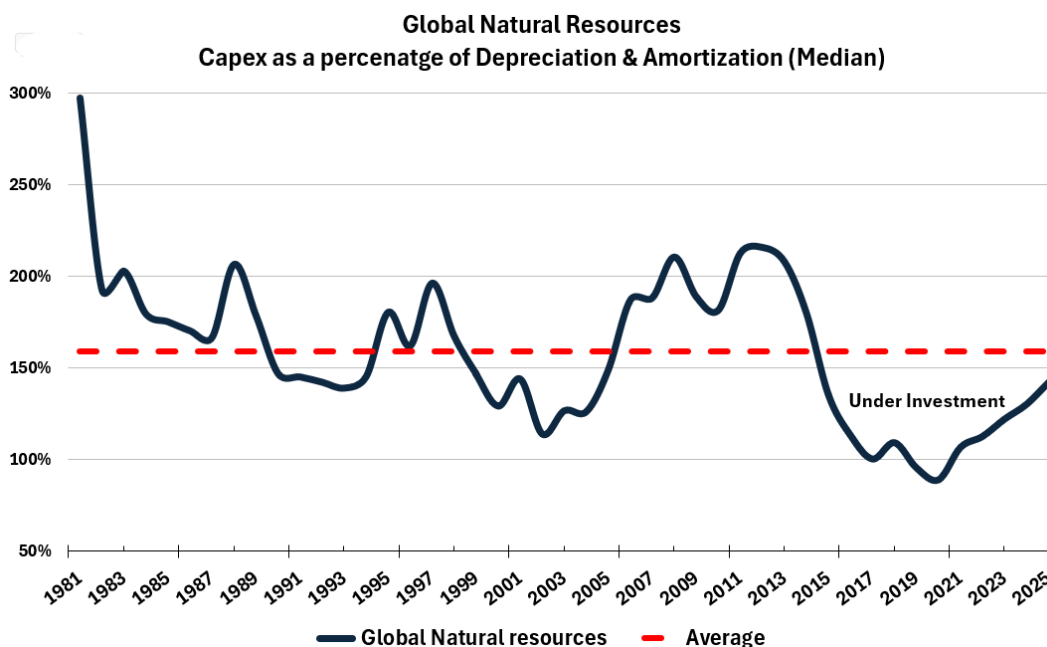
Global PMIs have started to reflect this corporate investment resurgence, especially in the developed world:

Global PMI manufacturing output



Source: S&P Global PMI

This surge in demand occurs against a backdrop of increasing supply scarcity, resulting from natural depletion, geopolitical tensions, and years of underinvestment in new production. The following graph highlights the magnitude of the underinvestment in the Global Natural Resources sector since 2013:



Source: Factset, GVA

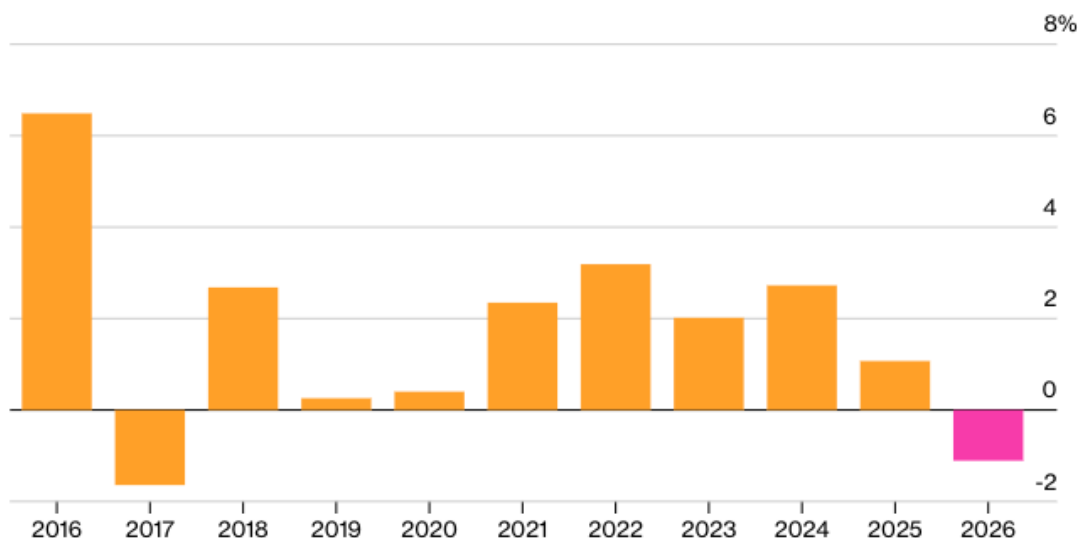


A good example of these supply constraints is reflected in copper production trends. Global copper production is actually *contracting* this year, right at the time when demand is surging from the AI data center buildout. It typically takes roughly 18 years to bring a brand-new copper mine into production.

Copper Mine Supply May Post First Annual Drop Since 2017

Ore declines, accidents, project setbacks and weather weigh on supply

■ Copper mine production, annual change



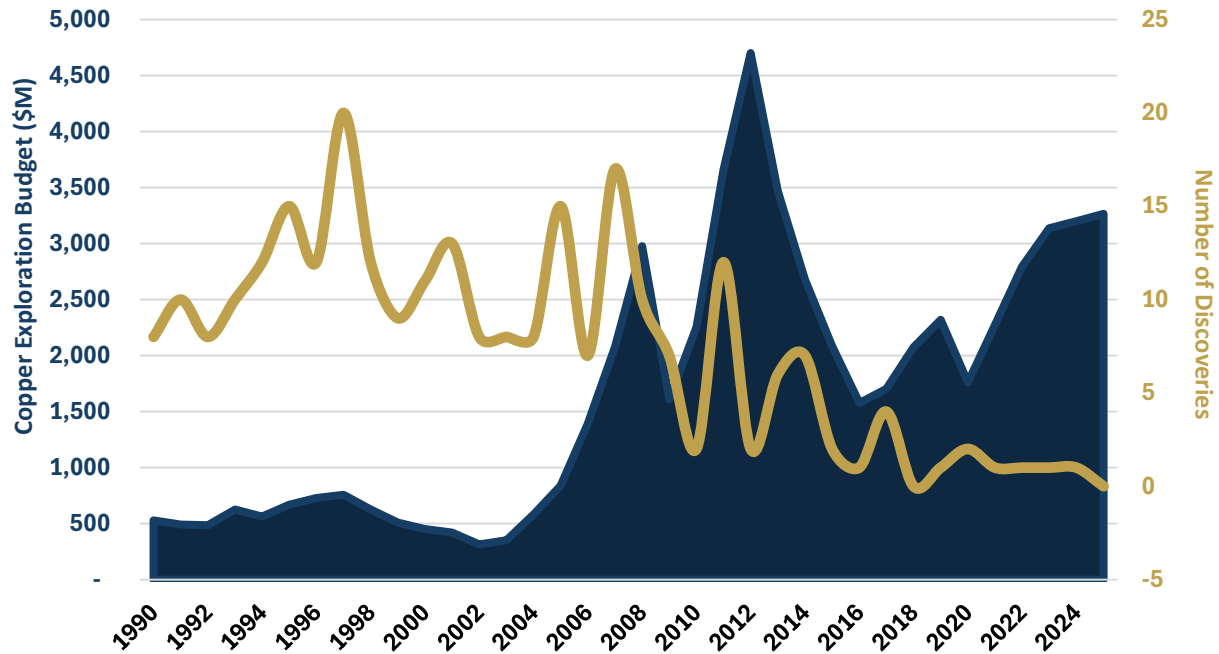
Note: 2026 reflects first-half data.

Source: ICSG

Copper exploration budgets have remained high, but actual new discoveries have consistently declined to zero over the last 30 years. Exploration budgets have failed to yield new copper discoveries because mining companies heavily prioritize low-risk expansions of existing/depleting mines over the increasingly expensive and high-risk search for hidden, deeper greenfield deposits. This structural supply-demand mismatch has resulted in higher copper pricing, which is likely to stay elevated for the foreseeable future.



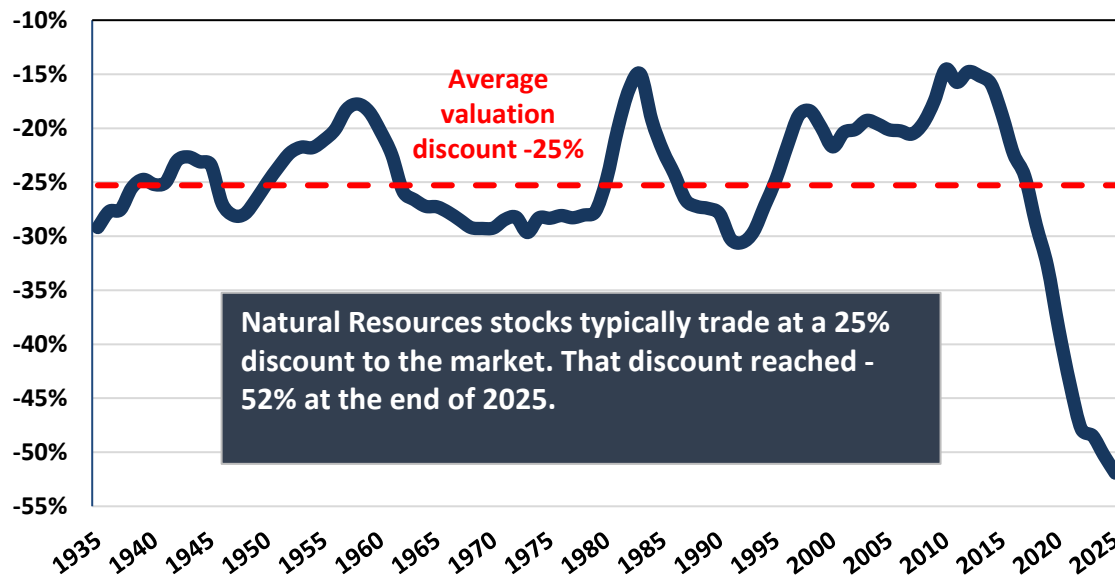
Copper Exploration Budget and Discoveries



Source: S&P Global Market Intelligence

The interaction of these dynamics constitutes the fuel for a re-rating of the natural resources sector whose valuation stands at the steepest discount to the market in a century and presents a unique contrarian opportunity for investors:

Natural Resources Relative Valuation (10Y trailing)



Source: Fama French

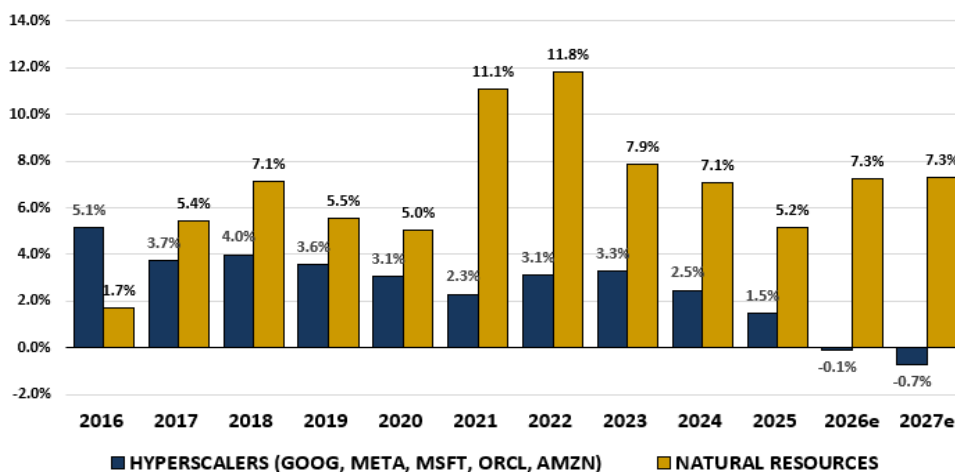


"I had gone to bed Henry Jekyll, I had awakened Edward Hyde."
- *The Strange Case of Dr. Jekyll and Mr. Hyde* by R.L. Stevenson

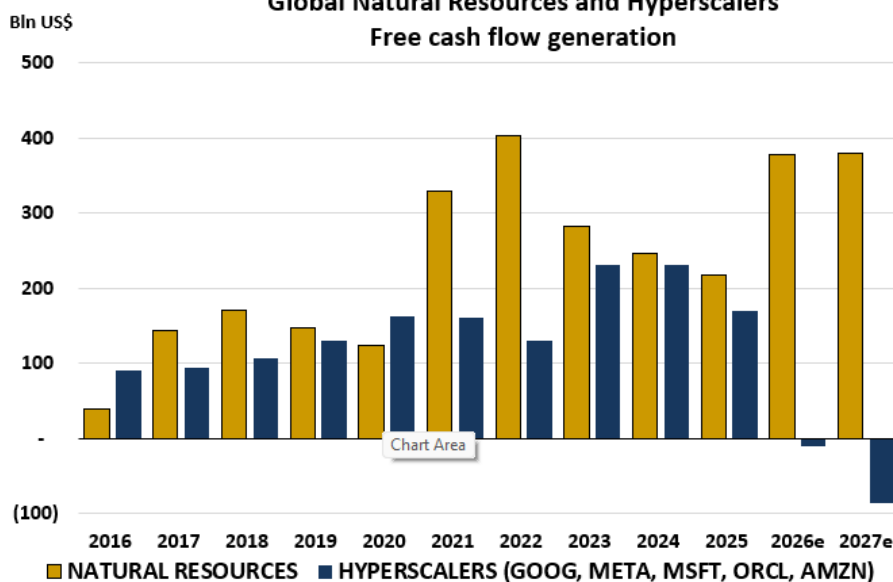
The Magnificent 7 built their success in oligopolistic high margin, asset light businesses. It allowed them to generate massive free cash flows while remaining debt free. With the current AI's winner takes all race, these same companies are entering a crowded, asset heavy market. This mutation is debt financed and currently cash draining. Hyperscalers' Free Cash Flow is on track to turn negative in 2026. Despite this, investors have rewarded the move and brought the hyperscalers' valuations to new highs.

Conversely, Natural Resource companies trade at cheap valuations, are expected to see their Free Cash Flow accelerate in the coming years, while their balance sheet metrics have improved in the commodities downturn.

Hyperscalers vs Natural Resources
Free Cash Flow Yield



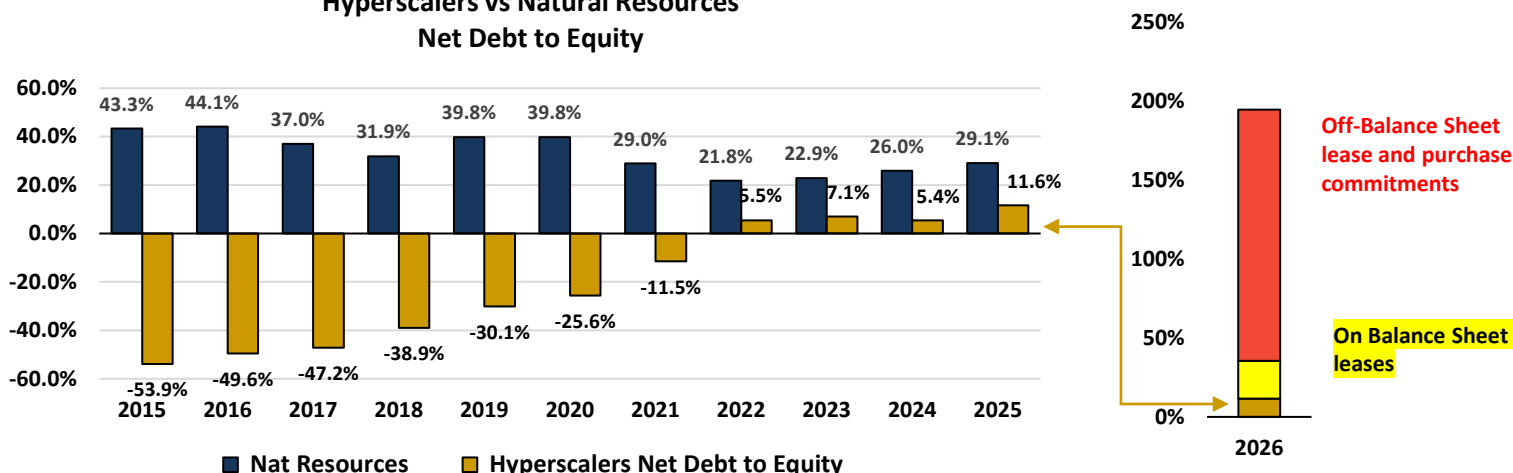
Global Natural Resources and Hyperscalers
Free cash flow generation



Source: Factset, GVA



Hyperscalers vs Natural Resources Net Debt to Equity



Source: Factset, Annual Reports

The net debt to equity numbers are derived from on-balance sheet reported assets and liabilities. Although the hyperscalers have leveraged up their balance sheets over the past few years, the current 11.6% ratio seems manageable at first glance; however, an in-depth analysis of the hyperscalers' financials paints a more worrisome picture of the full extent of future spending to which these companies have committed. On balance sheet leases and Off-balance sheet commitments have ballooned over the recent past 2 years to reach a staggering 195% of equity as of June 2026.

Summary

GVA believes the appeal of this once-in-a-generation opportunity is so compelling for natural resources that it has decided to offer a dedicated investment vehicle designed to take advantage of what is likely still the early-stage of a commodity supercycle. Investor attention has been fixated on the AI buildout dominated by the hyperscalers, which now trade at lofty valuations, have declining FCFs (closing in on zero), and overleveraged balance sheets after considering off-balance sheet financing. Conversely, natural resource stocks have a similar structural demand thesis and benefit from the AI buildout, yet they trade at a 50%+ discount to the market (highest on record), despite displaying high and consistent FCF yields and stable balance sheets. The increasing demand for natural resources is coupled with significant supply constraints in the industry that could take possibly a decade or more to rectify, creating a compelling backdrop for the foreseeable future. Building on its expertise in the sector, GVA's team is excited to introduce its Global Natural Resources Strategy. The strategy holds 40 to 60 stocks and aims at outperforming the S&P500 Global Natural Resources index over a cycle.

Thank you for your interest in Global Value Advisors. We look forward to updating you again next quarter.



Philippe Rolland
CIO, Portfolio Manager



Todd Bassion, CFA
Portfolio Manager



Matthew Marotta, CFA
Investment Research
Portfolio
Implementation

OFFICE CONTACT



18 Sewall Street
Marblehead, MA 01945



Phone
(781) 639-2750



Fax
(781) 639-2751



GLOBAL VALUE ADVISORS
A Division of Moody Aldrich Partners

International Small Cap

Second Quarter 2026

COMMENTARY

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This information is presented as supplemental to the GIPS Report, which is available [here](#).

The U.S. Dollar is the currency used to express performance. Returns are presented gross and net of management fees and include the reinvestment of all income. Net of fee performance was calculated by retroactively applying the highest model fee for the composite which is the fee new clients would expect to pay based on the early adopter fee schedule (0.60%). The annual composite dispersion is an asset-weighted standard deviation calculated for the accounts in the composite the entire year.

The standard investment management fee schedule for new business is as follows: 0.60% in perpetuity on all investments made prior to strategy assets reaching \$150 million, thereafter, 1.00% on the first \$25 million and 0.90% on all additional funds. Management fees are paid quarterly in arrears. Actual investment advisory fees incurred by clients may vary.

This presentation references GVA's Advantaged Subset, a quantitative screen of the investable universe that identifies liquid companies with positive free cash flow and positive total shareholder return (dividends, share buybacks and debt repayment). The Advantaged Subset is a research tool used as an input to GVA's investment process. It is not a portfolio, fund, composite or investment product, is not managed by GVA, has no investors and cannot be invested in directly. GVA's portfolios hold a selection of Advantaged Subset companies [and may hold companies outside it] based on further fundamental analysis; their holdings, weights and results differ materially from the Advantaged Subset. Characteristics shown are from Factset as of June 30, 2026, and will change over time.