FAWKES CAPITAL MANAGEMENT

26 June 2026

May Monthly Report

Dear Investors

We're pleased to provide you with the May 2026 Monthly Report for the Fawkes Capital Fund ("Fund"). In this monthly report, we:

(1) Update our performance for May 2026; and
(2) Describe our macro views.

Performance Update

The Fund delivered another positive month in May, returning 9.26% for investors. As tensions surrounding the conflict in Iran continued to ease, energy prices declined globally. Equity markets responded positively, rallying back toward their highs. In particular, AI-related stocks continued to perform strongly, reflecting growing confidence in the durability of the theme. Many of our holdings appreciated over the month, including Kingboard Laminates, Kioxia, SK Hynix, Yageo, Murata and Intel.

May-26	1 Mth	3 Mth	1 yr	3 Yrs	5 Yrs	SI (ann)	SI (cum)
Fund (Net)	9.3%	23.5%	75.2%	31.2%	19.8%	19.0%	142.7%
Blended Index	0.8%	-1.4%	5.5%	7.7%	5.7%	5.9%	32.9%
All Ords	1.2%	-4.0%	6.8%	11.0%	7.9%	8.2%	49.0%
RBA Cash	0.4%	1.0%	3.9%	4.2%	3.1%	3.0%	16.3%

Returns are calculated net of fees and represent the combined income and capital returns over the specified period.
All returns provided are in AUD. Blended Index returns are composed of 50% All Ords / 50% RBA Cash.

While conditions remain volatile, the level of uncertainty has continued to decline. So far, June has also been a volatile month. We will continue to monitor macroeconomic developments closely and adjust the portfolio where necessary.

Macro Update

We continue to believe that a long equity position is the appropriate stance through to the end of the year under current conditions. The global economy has remained resilient, and we are optimistic that current conditions are likely to persist. The primary reason is that we are entering what we believe will be one of the largest capital expenditure cycles of our lifetimes. The build-out of AI datacentres is likely to exceed the investment made during the original internet build-out. Importantly, much of this investment still lies ahead and, in our view, could add at least 1% to real GDP growth in both 2026 and 2027.

Consumer spending also remains robust. Even when oil prices briefly approached US$120 per barrel, airline bookings in the US remained resilient. While interest rates may move somewhat higher from current levels, the economic impact is unlikely to be materially greater than the energy price shock markets have already absorbed.

Barring an unforeseen external shock, we remain confident that both economic activity and corporate earnings will continue to grow.

The conflict in Iran has largely stabilised. Both sides now appear incentivised to avoid further escalation, albeit for different reasons. Donald Trump has a strong incentive to keep energy prices contained ahead of the mid-term elections, while Iran's focus on securing the release of sanctioned funds suggests a pressing need for economic relief. The US blockade of Iranian oil exports also appears to be exerting pressure. Fundamentally, at least over the next six months, both sides appear to have a strong incentive to maintain stability rather than return to conflict.

The one notable exception is Israel, which may have a greater incentive to maintain pressure. Domestically, there remains support for a firm security response, and Prime Minister Benjamin Netanyahu is likely to prefer a political environment focused on national security rather than domestic issues. As a result, we would not be surprised to see periodic skirmishes between Israel and groups operating in Lebanon continue. However, the broader incentives still favour a more stable equilibrium between the US and Iran.

From a top-down perspective, we also remain constructive on the key countries in which we are invested: Japan, Taiwan, South Korea and Singapore. In Japan, we believe Prime Minister Sanae Takaichi has little choice but to pursue policies that support economic growth. In our view, this is likely to resemble a lighter version of Abenomics, with the objective of gradually reducing the debt burden through nominal growth. We expect policy to be centred around four pillars: (i) fiscal stimulus, potentially aided by the justification of higher energy costs, (ii) a relatively weak currency, (iii) broadly stable interest rates, and (iv) continued support for strategic domestic industries.

The investment case for Taiwan and South Korea is more straightforward. If the world experiences a significant capital expenditure boom driven by AI datacentre construction, then the countries manufacturing the components that power those datacentres should experience an even greater uplift. In Taiwan, for example, capital expenditure by semiconductor manufacturers is expected to increase by an amount equivalent to approximately 5% of GDP between the release of ChatGPT and the end of next year. That is an extraordinary level of investment. If any market is likely to experience the excesses associated with a capital expenditure boom, Taiwan would be a strong candidate.

Against this macroeconomic backdrop, we continue to favour equity ownership. We remain focused on investing in what we believe may prove to be the defining technology of our generation. While we continue to hold most of the positions highlighted in the opening section, our research into the AI supply chain remains ongoing. Where we identify opportunities that offer a more attractive risk-reward profile, we are willing to replace existing positions accordingly. Recently, we have added several new investments that we believe are at the early stages of favourable long-term trends:

- **Ampoc Far-East (2493 Taiwan-listed):** The company supplies equipment and chemicals used in the production of printed circuit boards. In particular, it manufactures horizontal wet processing equipment used in semiconductor etching processes, as well as machinery involved in semiconductor packaging.

- **AT&S (European-listed):** The company produces advanced substrate materials used in printed circuit boards. We believe its deep relationship with Intel positions it well to benefit from increasing CPU production requirements driven by AI-related demand.

- **Technoflex (3449 Japan-listed):** The company manufactures specialised piping and valve solutions for the semiconductor and energy industries. These products are used to transport gases and liquids within semiconductor manufacturing equipment. Technoflex also produces valves used in solid oxide fuel cells, a technology we expect will play an increasingly important role in powering datacentres.

At the same time, we have rotated out of several positions that had become less attractive from a valuation perspective and reallocated capital into opportunities that we believe offer greater upside. Our stock selection process, combined with this continual reassessment of relative value, has been a key contributor to returns. We remain committed to identifying and researching new opportunities wherever they emerge.

Kind Regards,
Fawkes Capital Management

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