MONTHLY INVESTOR LETTER

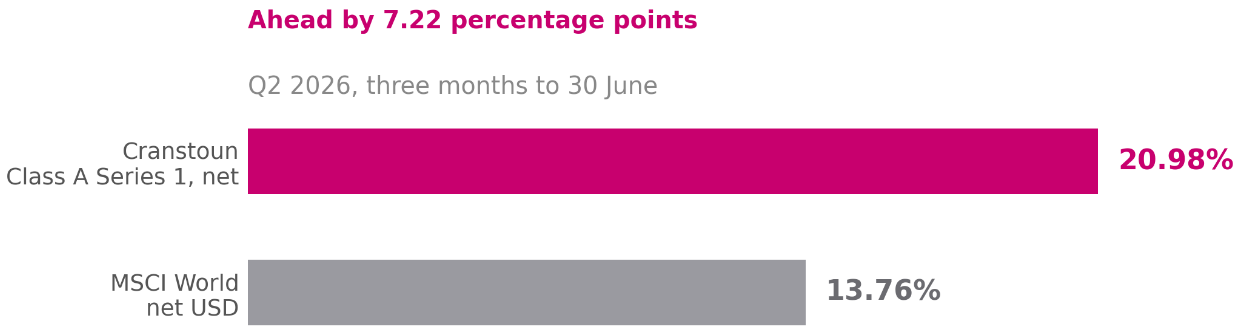
September 2026

Macro Landscape · Portfolio Themes · Forward View

Dear Investor,

QUARTERLY PERFORMANCE

Q2 2026, Now Reported



The administrator finalised the second quarter this month, so we can now report that **Cranstoun returned 20.98% net of all fees in the three months to 30 June.** The MSCI World, our stated benchmark, returned 13.76% over the same three months.

Source: fund administrator's Q2 2026 allocation schedule, approved 20 August 2026. Benchmark: MSCI World Index, net, USD. Relative return: ahead by 7.22 percentage points.

> **What produced it?** Nothing new. The quarter came from positions already described in these letters: the power and infrastructure names bought in April, the storage position opened in May, and a semiconductor holding sized well before the order backlogs made the case obvious. The market caught up with what we already owned.

ONE NUMBER

€51 billion

That is the record order backlog at Siemens Energy's grid division, reported on 5 August. Large power transformers drove most of the increase, and demand from US data centres held steady. The division took orders at 1.48 times what it shipped.

Cranstoun holds six companies that build, supply and connect this same infrastructure, Eaton and Vertiv among them. A backlog this size says the market they sell into is booked years ahead. Siemens Energy is not one of our holdings, but its order book gives an unusually clear public read on demand across the grid infrastructure market where several of our companies operate.

Source: Siemens Energy Q3 FY2026 results, 5 August 2026; Cranstoun analysis.

01 · MACRO OVERVIEW

The Data Softened, the Fed Chair Did Not

Three prints landed inside a single week. Jobs, then CPI on the 12th, then PPI, and all three came in softer than feared. The September hike that markets had treated as a coin toss was repriced to roughly a one in three chance. After July's 9-3 hold and three dissents in favour of tightening, that was a meaningful cooling.

Then Jackson Hole. Chair Warsh gave his first keynote as chair on 28 August, and he did not co-operate with the softening. He said he was impressed by the economy's strength but not by the inflation trend. The summer readings were better than expected, he noted, but they do not tell him that underlying trends have meaningfully improved. The breadth is the problem. Around half of the basket that the Fed watches most closely, PCE, is still running above 3%, and the headline rate sits at 3.7% over twelve months. The Fed, he said, may have work to do.

He offered no forward guidance and no reaction function, arguing instead for a quieter central bank that is judged on delivery rather than on signalling. Markets did the arithmetic themselves. The odds of a hike on 16 September went from roughly one in three back to a coin flip inside a single session.

Oil went up and came back down. Brent opened August near $87 and traded above $92 by the 18th, then gave the whole move back to sit at $88.29 on Friday the 28th. That is a volatile month wearing the disguise of a quiet one. It also leaves oil at the least helpful level for a chairman worried about inflation. High enough to complicate the inflation picture, and without any clear downward trend to lean on.

Gold rose regardless of the way the rate argument went, up roughly 10% over the month, its strongest run since January, and closing on the 28th near $4,608. One buyer is structural rather than speculative. Central banks bought a record 288.9 tonnes in the second quarter, up 62% on the year, led by Poland and China, and they kept buying while the price was falling. Governments buying into a falling market are managing reserves for the long term. Keep it in proportion though. The first half total of around 345 tonnes is still the weakest since 2022, so this was one sharp quarter rather than a new trend. Our reason for holding it is similar. Gold gives the portfolio an asset that can behave differently when fiscal, monetary or geopolitical risk rises, which is the part of the fund built to work when the rest of it does not.

02 · THE BOTTLENECK INDEX

Where the Build Is Jammed

New from this issue, and the same three lines every month. **Cranstoun owns the companies that sell into these queues, not the ones standing in them.** A longer queue means those companies can charge more and can see their revenue further out, which is the whole reason we hold them. So read this as a monthly scorecard on the thesis. While these tighten, the case is intact. If they start to loosen, we have a problem.

Order a large power transformer today Energise it around 2030. Before the boom the wait was closer to two years.	**3 to 5 yr wait** ▲
The memory inside every AI server Memory is sold on long contracts, not day to day, and those contract prices rose 58 to 63% in a single quarter. NVIDIA now says the cost will cut its profit margin. Meta has raised its spending plans.	**+60% price** ▲
The electricity those servers want Up 27% in a year. Every gigawatt of it needs the transformer in the first line.	**132 GW demand** ▲

▲ **Queue lengthened** and that is good for us

▼ **Queue shortened** and that is less good for us

● **Unchanged** and we sit tight and wait

Sources: Siemens Energy and industry lead time estimates; TrendForce contract pricing; Gartner. All three tightened this month, which will not always be the case, and we will say so when it is not.

03 · THEME COMMENTARY

What Changed This Month

AI & Semiconductors (The Print)

NVIDIA is our largest holding, so this print mattered more to us than any other. Revenue was $96.2bn, up 106% on the year, and the current quarter is guided to $108bn. The shares fell for one night on a margin warning, then rose sharply on the 27th. That warning is the part worth keeping: gross margin falls to 71 to 72% by the fourth quarter, because memory now costs so much more. Money is moving from the chip maker to the memory makers, and we hold both.

AI Storage (Strengthened)

We opened a dedicated storage position in May and still hold it. Be clear about what it is. We own makers of drives and flash memory, not the high-bandwidth chips that go inside an AI accelerator. The link is that the three companies who dominate memory have shifted their factories towards those AI chips, which has left everything else in short supply. Contract prices for ordinary memory rose 90 to 95% in the first quarter and another 58 to 63% in the second, and SK Hynix expects the shortage to run past 2030. Our holdings sell into the gap that has opened up behind it.

AI Power & Infrastructure

Critical Materials & Gold

This is six listed companies, including Eaton and Vertiv. They build the substations, run the cabling and cool the halls that a data centre needs before a single chip switches on. August handed them a longer queue and fewer rivals able to serve it. What is holding the industry back now is grain-oriented electrical steel and a shortage of people trained to wind a transformer. Neither can be solved quickly by paying more, though customers are certainly trying. We made no changes.

We own gold through an exchange traded fund, and hold copper, uranium and a gold miner alongside it. Gold had its best month since January, covered above. Those are a bet on the same electrification our power companies are building out. Copper goes into the cabling, and uranium into the steady supply a data centre needs at three in the morning. These are the raw materials nobody can conjure quickly. No changes.

Technology Platforms

We hold Microsoft and Alphabet among others here, which puts the fund on both sides of this trade. They write the cheques that our infrastructure companies collect. The four largest guide to roughly $725bn of combined capital spending for 2026, against about $410bn in 2025, and the market has largely stopped punishing them for it. The question has moved on, from who pays for the build to who can actually deliver the equipment.

African Income

We lend to Angola, Egypt and Nigeria, and to one West African bank, and we get paid above 9% for it. That income holds while the sovereign credit picture does, and oil provides an important cushion for some of these borrowers though by no means all of them. Egypt is not principally an oil story. Our holdings held their ground in August and we made no changes. We keep the position small because the main uncertainty for us today is interest rates, while accepting that sovereign credit risk is part of what we are paid for.

04 · POSITIONING SHIFT

Where Conviction Moved in August

STRENGTHENED

AI Storage

Held through July’s selling. August produced stronger evidence of the shortage, and NVIDIA’s margin guidance showed the cost reaching a major customer.

MAINTAINED

AI Power Build-Out

Record grid backlogs and multi-year lead times. Nothing in this sleeve needed changing.

WATCHING

Semiconductors

We kept the position at its existing size before the results and made no change afterwards. The beat was not the news. The margin was.

We did very little. In a month that mostly confirmed what we already owned, that is the correct amount of activity.

05 · THEME IN FOCUS

The Scarcity Moved Upstream

THIS MONTH: WHAT EVERYONE IS SHORT OF

Every stage of this build has had one thing everyone was short of. In 2023 and 2024 it was the chips themselves. Through 2025 and into this year it was electricity. In August the shortage moved again, to raw materials and to the people who know how to work them. That is the hardest kind to fix. Money alone does not conjure up electrical steel. A memory factory takes years to build, and someone who can wind a transformer takes years to train.

The clearest evidence came from NVIDIA, of all places. It reported revenue up 106% on the year and said in the same breath that its profit margin would fall to 71 to 72%, because memory has become so expensive. The biggest buyer in the chain is now handing money back to its own suppliers, which tells you how far up the chain the bottleneck has moved.

Here is why that matters to you. A shortage nobody can fix quickly is a shortage somebody gets paid for over a long time, and we have spent this year buying the companies collecting that payment. A three to five year wait for a transformer means three to five years of strong pricing for whoever can actually deliver one. Our power and infrastructure holdings are in exactly that position. So is the storage position, which sells into the shortage that NVIDIA’s bill has now made visible to everyone.

06 · WHAT COULD BREAK THIS

The Bear Case

Two risks deserve naming. The first is that scarcity cuts both ways, and August gave us the cleanest evidence of it we have had. A memory shortage is a cost line for the people doing the buying, and NVIDIA’s margin guidance is that cost line becoming visible in the accounts of our largest position. A transformer queue is, from the other side, a reason a data centre slips a year. Shortage is a good trade right up until it becomes the reason the build slows. We should also be honest that the data strengthening the case for our storage holdings arrived as a bill for other companies we own. The second risk is concentration meeting the rate path. The concentration that helps when we are right hurts just as quickly when we are wrong. A live Fed meeting on 16 September, with oil refusing to fall, is exactly the setting in which shares priced on distant profits get marked down. That can happen for reasons that have nothing to do with order books. Neither outcome is our base case. Backlogs measured in years, and a customer set racing each other to build, argue the orders keep coming. But we hold ballast in gold and in African income, and we keep positions sized so that being wrong is survivable. What constrains this build is now physical, not only financial.

07 · FORWARD VIEW

Where We Go From Here

Rather than restate the portfolio, here is what we are actually watching, and what would change our minds.
What lands next. The Fed decides on 16 September and it is close to a coin flip. Memory contract pricing for the third quarter is published in October. NVIDIA reports again in November, and Siemens Energy gives full year figures the same month, which will tell us whether the grid backlog is still growing.

What would make us add. Bottlenecks tightening further while the share prices of the companies that benefit fall anyway. That combination is what let us build these positions cheaply in April and May, and we would use it again.

What would make us cut. Any sign that lead times are shortening, or that the large technology buyers are trimming their spending plans rather than raising them. Either would mean the queue we are paid for is emptying.

What would prove us wrong on storage. The memory makers adding capacity faster than expected, or drive and flash prices rolling over while the AI chips stay tight. We would then be holding the spillover from a shortage that no longer spills.

If nothing changes. We do nothing. The positions are where we want them, the constraints are still tightening, and August was a month for reading rather than trading.

08 · WHAT WE'RE READING

Perspectives Worth Your Time

NVIDIA Announces Financial Results for the Second Quarter of Fiscal 2027

NVIDIA Investor Relations, 26 August 2026

The primary document rather than the commentary. Read the gross margin outlook, not the revenue line. It is the sentence that moved the stock and the sentence that makes this month’s argument.

Keynote Remarks at the 2026 Jackson Hole Economic Policy Symposium

Chairman Kevin Warsh, Federal Reserve Board, 28 August 2026

A chair explaining, carefully, why he intends to say less. Worth reading in full if you hold anything whose valuation depends on the front end of the curve.

Data Centre Electricity Use Surged in 2025 as Bottlenecks Tightened

International Energy Agency

The demand side from the one source with no position in the outcome. The figure to sit with is the 2,500 GW of projects stalled in grid connection queues worldwide.

09 · THE PHYSICAL LAYER

Where the Queue Begins

Coils of grain-oriented electrical steel, waiting in a mill yard at dusk. June gave us the transformer, July the pylon, August the substation. This is the step before all three, and the reason the other three now take years. Software cannot manufacture electrical steel, and new industrial capacity takes years rather than quarters to build.

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