



THROUGH THE LENS OF DE LISLE PARTNERS: IN A WORLD OF OUR OWN

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Since 2022 large cap performance has become divorced from small cap, perceived AI winners have climbed away from predicted losers and economic activity has been dominated by top earning consumers and companies.

Should these separations worry us? Concerns like these build the wall of worry that every bull market must climb, as the market can often go higher when disbelief remains. But even in an uptrend, not everything is a winner.

Large cap tech has been winning even though the top 10 performing stocks in the S&P 500 so far this year doesn’t include any of the Magnificent 7.* The first to make its appearance is Alphabet (Google) at no. 25. While index concentration may be driving returns (the top 10 is now a 40% weighting, a record high), the best performers are the beneficiaries of the AI buildout such as power providers and hard drive makers, not the ones spending the money.

We have been trying to catch smaller and less expensive derived winners – construction and engineering companies outside of the indices – that are neither speculative start-ups nor totally dependent on AI capex for revenues. The S&P 500’s concentration makes passive exposure to the index risky if big tech underperforms, but outperformance is possible through active stock picking. We see plenty of opportunities, which have kept us ahead of small cap indices, and in step with the broader market this year.

So are we looking at a bubble? Let’s be clear; data centres are not like Dutch tulips in 1636, nor unused fibre lines speculatively built in 2000. There is high demand for model training, and it is creating useful AI applications across many industries from inventory management to self-driving cars. But if the hyperscalers** stop spending (a risk for Nvidia) or find they aren’t getting a decent return on their investment, then the market might sour on them and that is a risk for S&P 500 performance.

We are not in that world. The largest part of the US economy, consumer spending (roughly two thirds of GDP)*** is largely uninvolved in the AI build out, as are currently weak sectors such as existing home sales and manufacturing. Therefore, if the spending stops, the bulk of the economy will be largely immune to the fallout.

So what is mispriced? Small cyclical growth stocks and little banks that are not yet participating but will benefit from lower rates and continued government fiscal spending in 2026. While currently a drag on our performance, we feel the industrial, leisure and housing related companies, that grow their earnings across cycles, are near their cyclical bottoms on profits and P/Es. Along with our community banks, these businesses make up over 70% of our portfolio and we are happy to be in the room waiting for the turn. The remainder of our portfolio comprises power and AI buildout beneficiaries in line with our barbell approach: one sector zigs when the other zags.

Company Spotlight: LCI Industries

Market Cap*	\$2.7bn
Sector	Automobile Components
Date Purchased	August 2020
Portfolio Weighting	1.2%
P/E (NTM)	13.9x

We bought motorhome parts maker LCI Industries (LCII) at \$105 a share as a derived beneficiary of the RV industry’s Covid popularity. We bought more while this vacationing trend accelerated but sold at the end of 2021 for \$140 as inflation and increasing interest rates approached. As the stock fell, we bought back through 2022 to capitalise on the longer-term RV experience theme.

Despite subdued RV demand, LCII is more attractive than ever. Its earnings already troughed in 2023 and have grown since by capturing the accessories market within the motorhome like fancy TVs, stoves and baths, not just the traditional axles and chassis - yet it trades for less than its long-term P/E multiple, making us buyers again today.

*Source: Morningstar as at 31/10/2025



Our fund manager, Richard de Lisle, has run the Emmanuel Endowment Fund since 1996. It had its best relative performance in 2001 and 2002 after the dot com bubble burst when it was invested in small, cheap stocks that the market sought as the air came out of the high P/E tech stocks. In our view that is the most likely rotation. What doesn’t work is to sell Nvidia (AI) and buy Costco (steady growth) on a high multiple. What does work is to switch into something cheap, which is what everyone did, and where we are already positioned.

As the market has pulled back in November, another separation is emerging between the hyperscalers themselves. On Oct 29, Meta announced good earnings, but the stock is down over 20% as the market digests the even higher capex guidance. Yet Google, with its new AI model, is up over 6%.

Is this the turning of AI spending optimism? For us, our smaller, less expensive picks and shovels companies answer the question for now. Cable and fibre optic makers like Sanmina (16x P/E) and CommScope (8x) are up 9% and 8% respectively since Meta’s crash. The cash transfer from big tech to small manufacturers via capex looks intact.

We don’t know if the market will pullback further – nor whether big tech will be fully rejected should AI investments fail to show sufficient returns – but we do take heed of the past. While there may not be a precise repeat of the 2000 top, by sticking to our small, undervalued and unloved stocks in housing, energy services and consumer durables we feel we are in a good position to weather a market rejection of big tech.

*Morningstar as at 21/11/2025. **Hyperscalers - Amazon, Alphabet, Meta, Microsoft and recently Oracle. ***Consumer 2/3 of GDP. CEIC Data - <https://www.ceicdata.com/en/indicator/united-states/private-consumption--of-nominal-gdp>

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Webinar Recording: ‘Introduction to the VT De Lisle America Fund’
November 2025
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Webinar Recording: ‘15 years at 15% annualised. What's next?’
October 2025
[Click here to watch \(45 minutes\)](#)



Webinar Recording: ‘AI Capex, Interest Rates and the Small Cap Opportunity’
September 2025
[Click here to watch \(45 minutes\)](#)



Webinar Recording: ‘From the GFC to AI: VT De Lisle America Fund turns 15’
August 2025
[Click here to watch \(45 minutes\)](#)

Upcoming Events

VT De Lisle America Fund Webinar:
“Where the hell is the market risk?” - Scott Bessent. Is he right?
Date: 9 December 2025
Time: 2:00pm - 2:30pm
[Register here](#)

Contact Us

If you would like to arrange a meeting with the manager, or for further information on the Fund, please email investor-relations@delislepartners.uk or call 020 7074 3572.

Important Information

All data, unless otherwise stated: De Lisle Partners, November 2025.

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