THROUGH THE LENS OF DE LISLE PARTNERS: AUTUMN THEMES FOR THE US MARKET

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Traditionally July and August are sleepy months in the market but this year was different: new themes began to emerge and areas of the market that seemed to have lost direction stirred again. So where are we now?

Theme one: rising bond yields

Long duration bond yields have crept higher globally through September. Debate on the cause has ranged from government fiscal profligacy (ominous) to higher nominal growth expectations (manageable). Higher inflation from energy disruption colliding with high Western government spending commitments is causing demands for higher rates of return. While energy remains the main source of inflationary pressure, agricultural commodities are also contributing.

Slow progress in resolving the conflicts in Iran and Ukraine makes energy one of the few near-term investment certainties. Even so, we plan to start exiting our traditional energy holdings once share prices rise to attractive levels. The long-term future for pure-play energy stocks is unattractive now that there is the will and the technology to roll out renewables and nuclear power worldwide.

Rising yields also mean that the multiples of growth stocks are being punished. Investors want to see cashflows today and view high debt levels as dangerous. Lower multiples and lower debt are evergreen themes for us at De Lisle, and current conditions mean the market is slowly turning our way.

Theme two: debasement and a weakening dollar

In response to rising yields, the US needs to act. Treasury Secretary Scott Bessent and Fed Chair Kevin Warsh are playing out a good cop/bad cop double act with Bessent wanting to control yields and Warsh threatening rate hikes.

The result of this battle of wills is that the dollar must weaken and hard assets prevail. The positive reaction in gold, as a hedge against financial market meddling by Bessent, is just one example. We agree, but the bigger picture behind Bessent's intervention and the weakening dollar is how these factors affect all kinds of commodity prices - and their producers. When the dollar weakens and commodities go higher, companies that produce, process or provide metals, grains and energy will increase their margins as they pass on the commodity costs.

With rising bond yields and a weaking dollar resulting largely by the government's need to spend on priorities such as infrastructure, defence and power, we are prioritising the industrial, materials and energy companies which can get in front of this spending and hope to reap a double benefit.

Company Spotlight: Climb Global Solution (CLMB)

Market Cap*	$529m
Sector	IT Distributor
Portfolio Weighting	2.5%
P/E (NTM)	16.3x

*Source: Morningstar as at 15/09/2026

Climb Global Solutions (CLMB) is a specialist IT distributor, sitting between emerging software vendors and the resellers who install their products and earning a thin margin on a very large flow of software. We have held a small position since 2010, building most of our holding under current CEO Dale Foster, who took over in 2020.

Under Foster's stewardship, the business has leant into cybersecurity, now 60% of sales, and a run of small acquisitions has lifted returns-on-capital from high single digits to the mid-teens. Net sales grew from $352m to $652m in the two years to 2025, and the balance sheet still carries $50m of net cash.

Today CLMB trades on 16.3x forward earnings – a middleman that can benefit as AI pushes enterprises to increase their spending on cybersecurity and on their software stack more broadly.

Theme three: anti-data centre sentiment vs. longer-term technology adoption

Sentiment toward AI has moved rapidly from disbelief to curiosity to euphoria to scepticism and now to concern in just a few years. As the big AI innovation labs, OpenAI and Anthropic, speak of technology so revolutionary it will displace millions of jobs, people have unsurprisingly grown distrustful of AI. The Midterm Elections have long been seen as a test of Trump's popularity, but increasingly they are also a referendum on AI. As states start to implement restrictions on data centres, politicians of all persuasions, sensing their constituents' growing angst, are vocally expressing opposition too.

The datacentre trade is therefore in flux as investors worry about future returns for all those involved in the physical buildout. Over the summer we reduced our exposure to related stocks and sit underweight for now. However, technology cycles tend to come in waves. As businesses start to see the long-term benefits, we believe those that embrace and implement AI early, particularly smaller companies, will soon be making productivity gains that improve their margins and their earnings.

In conclusion

Hard assets with lower multiples, companies with manageable debt and management teams that can see the benefits of using AI tools, will outlast market volatility for the remainder of 2026 and beyond.

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*Source:: De Lisle Partners

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