<u>Portfolio July 2026 and PGMI</u>

Portfolio status – July 2026 and PGMI indicator update.

Notice required by CNMV: This article is not intended to be an investment recommendation for any financial product, nor financial advice of any kind. I do not receive any remuneration of any kind, nor does the article present any conflict of interest. I hold a CISI International Certificate in Wealth & Investment Management recognized by CNMV for advice/management in accordance with MIFID requirements. I do not hold any professional position in the financial sector. In this article, I outline my particular investment methodology, which I apply, as described, to my own capital.

Data sources: TIKR, TwelveData, Gurufocus. **Tools**: own software.

Monitoring and investment plan: https://www.jongarcialabiano.com

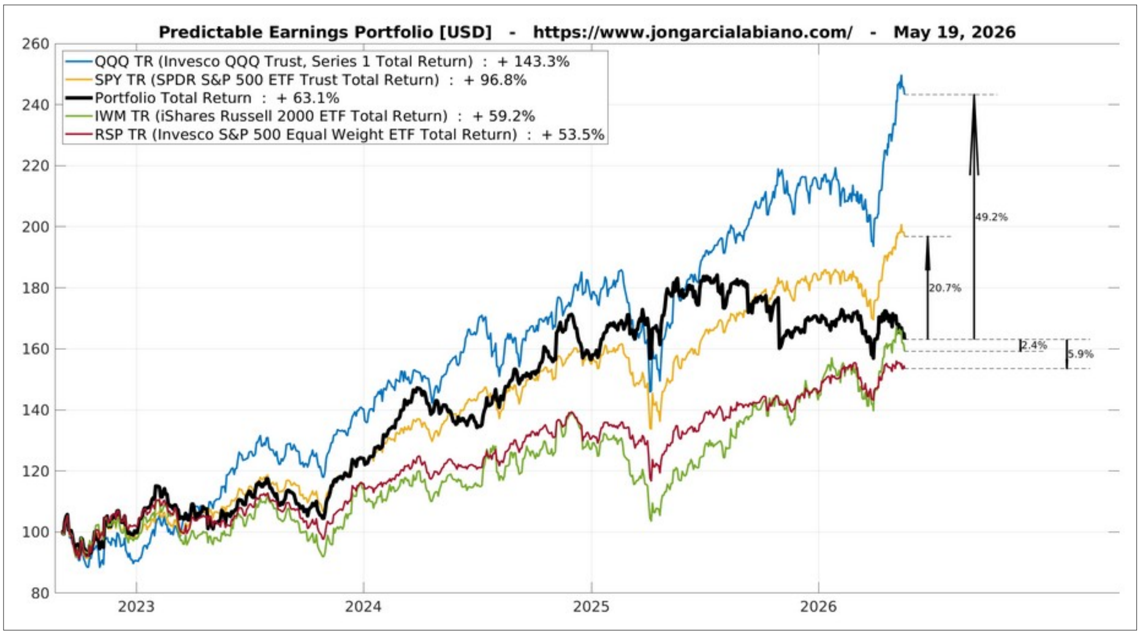
Portfolio

In mid-May I wrote a post in which I decided to pause the portfolio given the extreme market conditions. You can read it for the full details. I believe this remains the right call. Right now the market requires extraordinary selectivity, and the trajectory of the semiconductor and AI market is so unpredictable that, if you want market exposure, tracking the indices is the sensible approach.

Interestingly, as the weeks have passed, fairly solid signs of overcapacity in data centers and compute appear to be emerging. SpaceX and Meta have announced plans to monetize their excess older chip capacity. This would be a positive for hyperscalers and a negative for the broader AI and data center supply chain, and broadly negative for the Nasdaq.

Portfolio Performance

Through May 19th, annualized performance stands at 14.1%.



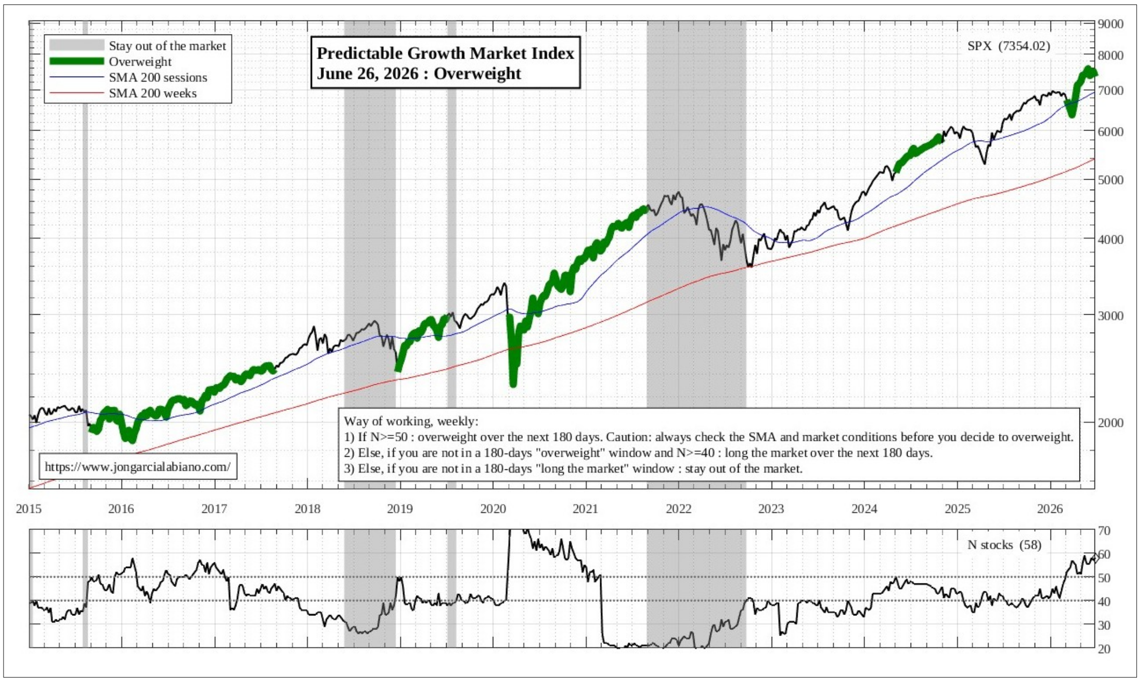
PGMI index

The PGMI index, updated weekly, is now publicly available on the website:

https://www.jongarcialabiano.com/en/pgmi.html

The list of companies that pass the filter is also accessible from there.

Note: the indicator is currently showing an overweight signal, but it is worth bearing in mind that an earnings bubble can sometimes create the false impression that the market is very cheap when in reality those earnings are unsustainable. That may well be the case right now — you should assess for yourself whether that is the situation we are in.



Future

Looking ahead, my plan is to gradually rebuild the portfolio with a slightly different approach. The core methodology remains one of predictable earnings, but with much greater emphasis on long-term business quality and competitive advantages, rather than on the cyclical trajectory of the business and its earnings. Quality and competitive advantage — what is commonly called a "moat" — provides far greater assurance that an earnings decline represents an opportunity, whereas in companies with a weaker moat, once an earnings trend breaks it can lead to a deep and prolonged downturn, for example due to a new competitor entering the market or the deterioration of its end market. The challenge is that this approach is less amenable to a standardized methodology and requires significantly more manual research and analysis. I may revisit the portfolio in a different format — without bimonthly rebalancing, without a fixed number of equally weighted positions, and likely less concentrated overall.

The most effective way to screen for this type of quality or "moat" companies is to filter simultaneously by ROIC and Operating Margin. The reason lies in the decomposition of ROIC:

ROIC = NOPAT / Invested Capital = (NOPAT / Sales) × (Sales / Invested Capital) = Operating Margin × Invested Capital Turnover

This dual filter ensures that a high ROIC does not stem solely from high capital turnover (an asset-light business with no real pricing power), but is instead accompanied by a high margin — a sign that the company has genuine pricing power in addition to capital efficiency.

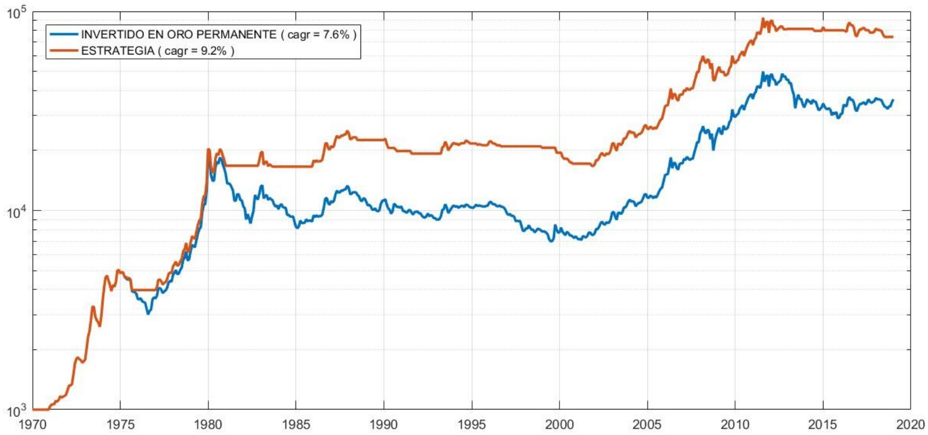
This does not mean that a moat only exists when both variables are high simultaneously. There can also be a genuine moat with high margin but low turnover — for example, capital-intensive businesses with strong pricing power, such as patent-protected pharmaceutical companies, which generate a more moderate ROIC despite their high margin. Or a genuine moat with low margin but high turnover — for example, highly efficient distributors with a significant logistical advantage that offset their thin margins through very high sales volume. These profiles should also be on our radar.

The following companies will definitely be part of my portfolio:

Google (GOOGL), Mastercard (MA), Visa (V), Moodys (MCO), Meta (META), Microsoft (MSFT), Booking (BKNG), VeriSign (VRSN), Wabtec (WAB).

I will also add to the portfolio: 1) A small, highly speculative position in quantum computing technologies with a very long-term horizon. 2) Exposure to the S&P 500 index following the PGMI indicator. 3) Gold through an ETF, following a simple yet highly effective strategy I wrote about on the blog in August 2020. Below is the explanation of that strategy as I originally wrote it:

The strategy is very simple — it could not be more so. It simply takes advantage of gold's long-term momentum. It works as follows: on the first day of each month, we check whether gold's one-year return is positive; if so, we keep gold in the portfolio, and if not, we exit the position until the following month when we repeat the check. It is a very straightforward criterion, as all strategies that work over the very long term tend to be. It offers an extra return boost while reducing drawdowns during bear trends. The chart below compares a permanent gold investment against the results obtained with this criterion.



On the blog I will continue reporting the PGMI index — which can also be accessed from the website — along with company analyses and trades as I make them.