Blackfriars EU Tech MPS Portfolio Insight: July 2026

July 2026

Market overview:

European technology equities fell 5% in July (STOXX Europe 600 Technology Index), with AI-related stocks experiencing one of their largest corrections in recent years. Volatility was exceptionally high as investors rotated between AI beneficiaries, software companies and semiconductor names ahead of 2Q earnings. Despite a significant correction in momentum stocks, particularly AI-related names, early in the month, the broader technology sector subsequently recovered as Q2 2026 earnings and corporate guidance reinforced the structural investment case for artificial intelligence.

The correction in AI-related stocks was further exacerbated by market concerns over potential forced liquidations linked to Situational Awareness, the c.$45bn AI-focused investment vehicle. Its highly concentrated exposure to AI names raised concerns that deleveraging or position reductions could amplify selling pressure across an already volatile segment of the market.

The investment backdrop remained supportive for high-quality technology companies. Corporate earnings across the semiconductor value chain continued to exceed expectations, including Q2 2026 earnings beats from ASML, ABB and ASM International, while management teams consistently highlighted exceptionally strong demand for AI infrastructure, data centers and advanced computing. Rather than signalling the peak of the investment cycle, the recent market correction appears to reflect a reassessment of how the next phase of AI expansion will be financed. In particular, investors are evaluating the transition from predominantly equity-funded capital expenditure towards greater use of debt-funded capex, and whether the current multi-year capacity expansion cycle can extend well into 2028.

Blackfriars Asset Management Limited is the manager, with a team of portfolio managers led by Anastasia Levashova, PhD, and Ming Lam, CFA, supported by the Investment team & committee. Learn here more about our investment team.

Anastasia Levashova, PhD
Portfolio Manager / Investment Director

Key Events:

July was dominated by second-quarter earnings, which largely confirmed that artificial intelligence remains the primary driver of global technology investment. While technology shares experienced increased volatility early in the month following a rotation away from momentum stocks, strong corporate results and management guidance reaffirmed the structural outlook for AI infrastructure, semiconductor equipment and enterprise software.

AI investment accelerated: The dominant investment theme remained the rapid expansion of AI infrastructure. Technology leaders continued increasing capital expenditure on AI data centres, networking and advanced semiconductors as demand for compute capacity significantly exceeded available supply. Industry commentary increasingly shifted from questioning the sustainability of AI spending towards discussions around how long supply constraints will persist. Some market experts argued that the AI cycle is still in its early stages rather than approaching maturity, supported by accelerating enterprise adoption of agentic AI and expanding hyperscale investment.

Semiconductor earnings remained exceptionally strong: Semiconductor equipment manufacturers continued reporting robust order books and extending customer visibility into 2027–2028. Although some stocks experienced short-term profit taking ahead of earnings, management teams consistently highlighted sustained investment in advanced manufacturing, AI accelerators and next-generation chip production. ASML and TSMC both reinforced expectations that AI-driven semiconductor demand remains significantly above historical cycles.

NVIDIA's AI leadership: NVIDIA's May 2026 results remained one of the defining events for global technology investors. The company generated record free cash flow, announced an additional US$80 billion share buyback and highlighted increasingly diversified demand extending beyond hyperscale cloud providers into sovereign AI, enterprise deployments and AI-native cloud providers. Some market participants (for example, Janus Henderson) described this as a potential "Apple moment", expecting NVIDIA to transition from being viewed as a cyclical semiconductor company to a platform business deserving of a structural valuation premium.

Cybersecurity emerged as critical AI infrastructure: Anthropic's Project Glasswing (expanded in June) and the introduction of the Mythos model highlighted the rapidly increasing importance of cybersecurity within AI deployment. As enterprises adopt multiple AI models and autonomous AI agents, cybersecurity is becoming an essential layer of AI infrastructure rather than simply an IT expenditure. This supports long-term investment opportunities across identity management, network security and cloud security providers.

Enterprise AI broadened beyond hyperscalers: The market increasingly recognised that AI adoption is expanding well beyond the largest cloud providers. Enterprise software vendors, sovereign AI initiatives and industry-specific AI applications are becoming increasingly important contributors to future AI spending. This broadening demand supports a wider range of technology companies than the initial AI infrastructure beneficiaries alone.

Portfolio Highlights: Key Developments Across Top 5 Largest Holdings

	Company	Weight, %	Country	Investment Theme	Last Price 31/07/2026	MoM Performance, %	Company overview	Jul-26	Aug-26
1	Nebius Group NV	8.32%	Netherlands	AI	190.41	-31%	Nebius is an Amsterdam-based AI infrastructure "neocloud", providing NVIDIA GPU-powered computing, cloud infrastructure and developer tools for training and deploying AI models. It also owns interests in autonomous driving, edtech and other AI businesses.	Despite falling 31% in July, Nebius remained +115% YTD. July strengthened all three growth pillars: an asset-light model enabling partner-funded AI capacity expansion; $775m of financing, demonstrating access to infrastructure debt markets; and NVIDIA's disclosed 9.3% stake, reinforcing Nebius's strategic position in the AI ecosystem. No Q2 2026 results reported in July; Q2 results were scheduled for 12 Aug 2026.	Q2 2026 results to be reported on 12 August, 2026. Market consensus: Revenues $535–583m (+34–46% QoQ), with EPS around -$0.67 to -$0.75. Key focus areas: progress toward the $7–9bn YE ARR target, FY2026 revenue guidance of $3.0–3.4bn, capacity deployment and Microsoft/Meta contracts.
2	ASML Holding NV	8.12%	Netherlands	AI	1,434.20	-14%	Global leader in semiconductor lithography systems and the sole commercial supplier of EUV lithography equipment used to manufacture leading-edge chips.	15 Jul: ASML delivered a strong Q2 2026 beat, with revenue of €9.33bn vs ~€8.85bn consensus, EPS of €7.59 vs ~€6.9 expected and a 54% gross margin vs ~52%. Management raised FY2026 guidance to €43–45bn revenue and 54–56% gross margin, citing accelerating AI-related demand and strong investment in advanced logic and memory capacity. Q2: revenue €9.33bn vs ~€8.85bn consensus; EPS €7.59 vs ~€6.9; gross margin 54.0% vs ~52%. Clear beat; FY26 guidance raised to €43–45bn revenue and 54–56% margin.	5 Aug: interim dividend payment. Thereafter focus on order intake, AI-led advanced-node demand, China/export-control exposure and execution against raised FY2026 guidance.
3	Prysmian SpA	6.79%	Italy	Datacentre & Power Infrastructure	120.20	-18%	World-leading cable manufacturer supplying energy, telecom, grid interconnection and data-centre cabling systems.	29 Jul: H1 results/half-year report released; investor focus remained on strong electrification, grid and data-centre demand and execution of the Encore Wire integration. H1 2026 results were reported in July, but no standalone Q2 result/consensus pair was identified in the public sources reviewed.	August: monitor H1 follow-through, backlog conversion, data-centre/grid demand, margins and integration; next scheduled quarterly results are 29 Oct.
4	ABB Ltd-Reg	6.35%	Switzerland	Industrial Automation & Robotics	79.52	-9%	Swiss-Swedish industrial technology group focused on electrification and automation, including robotics, motion, process automation and smart power systems.	July: Q2 reporting highlighted continued strength in electrification and automation demand, with data-centre and utility investment important structural growth drivers. Q2: revenue $9.48bn vs $9.47bn consensus; operational EBITA $1.93bn vs $1.88bn; margin 20.2% vs 19.9%. Net income $1.23bn vs $1.32bn and EPS $0.68 vs $0.73.	August: watch order momentum, data-centre/electrification demand, margins, portfolio/M&A execution and FY2026 guidance follow-through.
5	ASM International NV	5.74%	Netherlands	Semicndctrs	801.20	-20%	Semiconductor equipment supplier specialising in wafer-processing technologies, particularly atomic layer deposition and epitaxy used in advanced logic and memory chips.	July: Q2 results and order trends were the key catalyst, with AI-driven leading-edge logic and high-bandwidth-memory investment supporting demand for ALD and epitaxy tools. Q2 revenue was ~€980m, versus pre-quarter LSEG consensus of €883.9m. Strong AI/leading-edge demand drove the beat. (Consensus cited before Q2; final reported figure should be checked against ASM release.)	August: watch leading-edge logic/foundry and memory demand, China exposure, bookings and progress against 2026 guidance.

**Source: Blackfriars AM, Morningside. Data as of 31/07/2026. Past performance is not a reliable indicator of future performance.*

Portfolio Analysis: Top 5 Contributors

	Company	Weight, %	Country	Investment Theme	MoM Performance, %	Relative attribution	Company overview	Jul-26	Aug-26
1	SAP SE	4.29%	Germany	AI	17%	0.97%	Europe's largest enterprise software company, providing ERP, cloud applications, data platforms and business AI solutions.	23 Jul: Q2 results showed current cloud backlog growth of 26% at constant currencies; SAP highlighted momentum in its Autonomous Suite and Business AI platform.	August: watch cloud backlog conversion, Business AI adoption, margins/free cash flow and integration/investment in Prior Labs.
2	Spotify Technology SA	3.10%	Sweden	AI	9%	0.44%	World's largest dedicated audio-streaming platform, offering music, podcasts and audiobooks through subscription and advertising-supported services.	July: Q2 earnings were the main catalyst, with investors focused on subscriber growth, pricing, gross-margin expansion and operating leverage following Spotify's shift toward sustained profitability.	August: watch post-results subscriber/MAU trends, pricing, advertising recovery, audiobook expansion and margin/FCF delivery.
3	Schneider Electric SE	5.64%	France	Datacentre & Power Infrastructure	1%	0.38%	Energy-management and industrial-automation leader supplying electrical distribution, data-centre power/cooling, industrial control and digital energy-management solutions.	July: H1 reporting remained centred on strong data-centre and infrastructure demand, electrification and industrial automation; AI-related power requirements continued to support the investment case.	August: watch execution on raised 2026 guidance, Cognite transaction progress, data-centre backlog, North American demand and FX effects.
4	Dassault Systèmes SE	0.97%	France	Enterprise & Industrial Software	30%	0.35%	French software company providing 3D design, simulation, product lifecycle management and digital-twin platforms through the 3DEXPERIENCE portfolio.	July: Q2 reporting focused on subscription growth, 3DEXPERIENCE adoption and demand from aerospace, automotive, life sciences and industrial customers.	August: watch subscription/recurring revenue, large-deal timing, Medidata/life sciences, margins and FY2026 guidance.
5	Sopra Steria Group	0.77%	France	IT Services & Digital Transformation	31%	0.28%	European IT services, consulting and software group serving financial services, government, aerospace, defence and other large organisations.	July: H1 results/trading centred on organic growth, margin execution and demand in defence, public sector and financial services amid softer discretionary IT spending.	August: watch European IT-services demand, bookings, margins, cash conversion and full-year targets.

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Portfolio Analysis: Bottom 5 Performers

	Company	Weight, %	Country	Investment Theme	MoM Performance, %	Relative attribution	Company overview	Jul-26	Aug-26
1	Nebius Group NV	8.32%	Netherlands	AI	-31%	-2.15%	Nebius is an Amsterdam-based AI infrastructure "neocloud", providing NVIDIA GPU-powered computing, cloud infrastructure and developer tools for training and deploying AI models. It also owns interests in autonomous driving, edtech and other AI businesses.	Nebius fell 31% in July after its exceptional YTD rally, as investors took profits and focused on the capital intensity and funding needs of its rapid AI infrastructure expansion. Forced liquidation of Situational Awareness $45bn AuM fund contributed to marekt panic. Nebius's new asset-light model initially raised uncertainty over future economics, despite $775m of financing and NVIDIA's disclosed 9.3% stake strengthening the longer-term investment case.	Q2 2026 results to be reported on 12 August, 2026. Market consensus: Revenues $535–583m (+34–46% QoQ), with EPS around -$0.67 to -$0.75. Key focus areas: progress toward the $7–9bn YE ARR target, FY2026 revenue guidance of $3.0–3.4bn, capacity deployment and Microsoft/Meta contracts.
2	BE Semiconductor Industries	3.67%	Netherlands	AI	-31%	-0.94%	Semiconductor assembly-equipment specialist focused on advanced packaging, die attach, hybrid bonding and packaging systems for AI, datacentre and mobile chips.	[illegible] Q2 revenue €249.9m (+68.7% [illegible] net income €89.0m (+177.3%) and orders €292.9m (+128.8%), driven by hybrid bonding, photonics and datacentre demand.	August: watch hybrid-bonding order conversion, AI/photonics demand, customer concentration, capacity expansion and margin trajectory.
3	Prysmian SpA	6.79%	Italy	Datacentre & Power Infrastructure	-18%	-0.85%	World-leading cable manufacturer supplying energy, telecom, grid interconnection and data-centre cabling systems.	29 Jul: H1 results/half-year report released; investor focus remained on strong electrification, grid and data-centre demand and execution of the Encore Wire integration.	August: monitor H1 follow-through, backlog conversion, data-centre/grid demand, margins and integration; next scheduled quarterly results are 29 Oct.

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