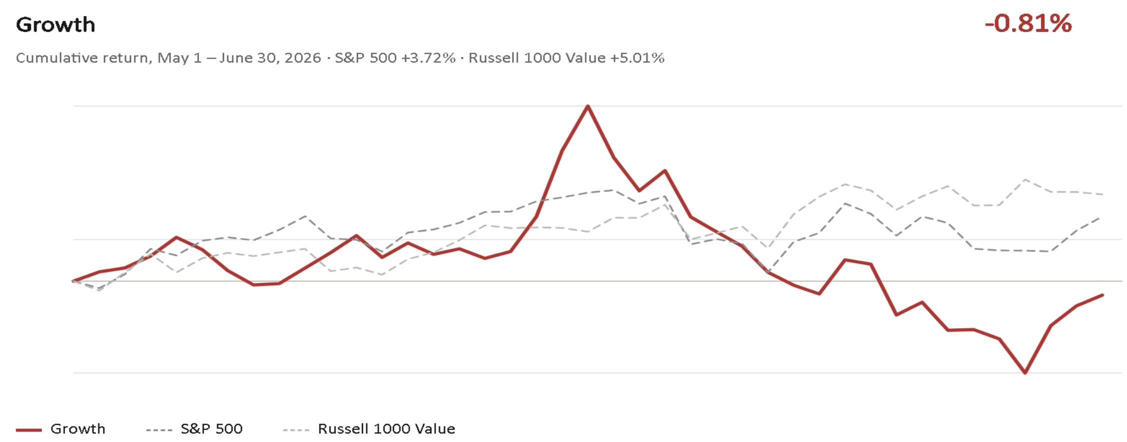
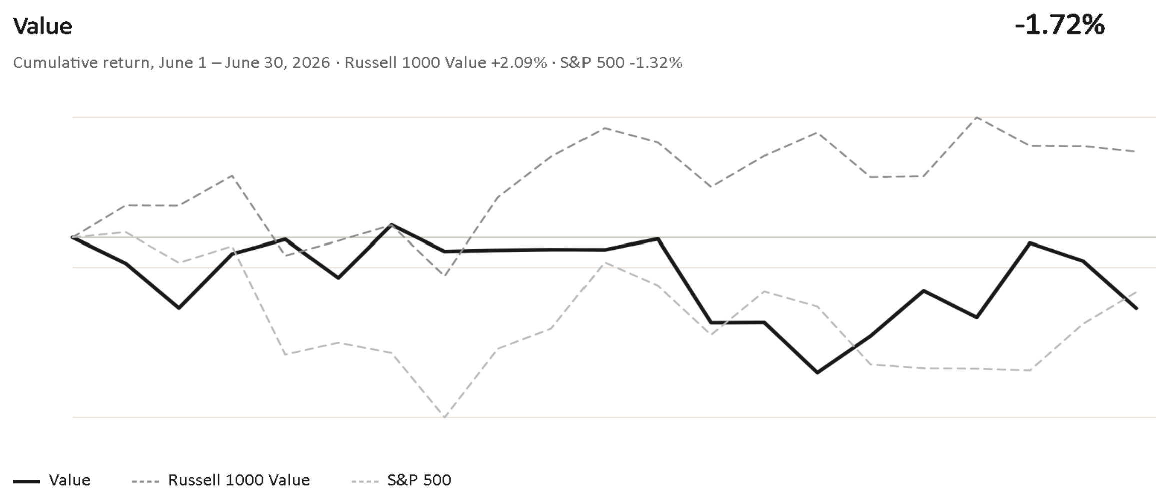
# Slackline Capital: Q2 2026 Letter

*April 1 - June 30,2026*     [*slackline.dev*](https://slackline.dev)

## 1. Performance Summary



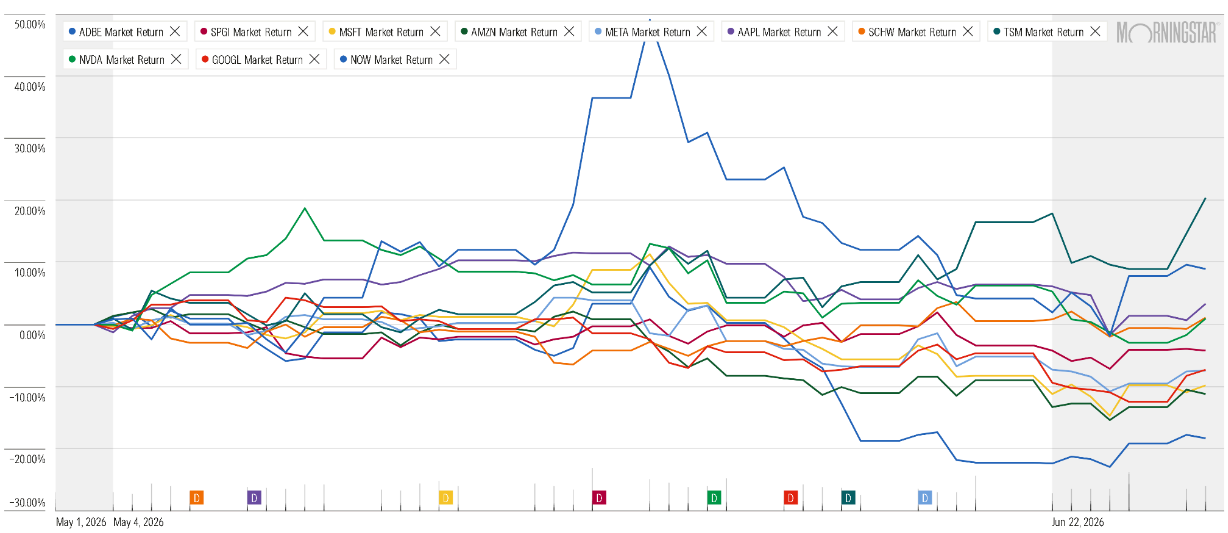

| Book | Since | Return | Primary Benchmark | Secondary | Alpha |
|---|---|---|---|---|---|
| Growth | May 1, 2026 | -0.81% | +3.72% | +5.01% | -4.53% |
| Value | June 1, 2026 | -1.72% | +2.09% | -1.32% | -3.81% |

# 2. Market backdrop.

The broad market was up by 15.5% in Q2 2026, driven by deescalation in international conflict with Iran. AI stocks drove the market the most, with the technology sector providing the engine for the majority of returns. Growth stocks saw the largest returns, while value stocks lagged behind, primarily due to the pressures on energy and communication stocks, which saw market correction from their robust Q1 performance. Rising oil prices have been a drag on the market as well, with the Iran conflict creating uncertainty within the markets. Markets are currently pricing in the chances of a rate hike in the second half of the year to combat the inflation caused by these elevated oil prices. Treasury yields have risen as well, with the two year rising to ~4.1% from 3.8%, and the 10-year going as high as 4.7%, to normalizing 1% above the Q2 start of 4.4%. Gold slid this quarter as a result of elevated treasury yields and rising inflation, with gold futures declining roughly ~13% over the course of Q2. Certain international markets did exceedingly well this year as well, mainly those with a large stake in AI-related equities. Korean markets rose roughly 57%, Taiwanese markets rose roughly 41%, along with tech-speciality sectors seeing exceptionally strong performance as a result of the AI boom.

# 3. Portfolio commentary.

## Growth

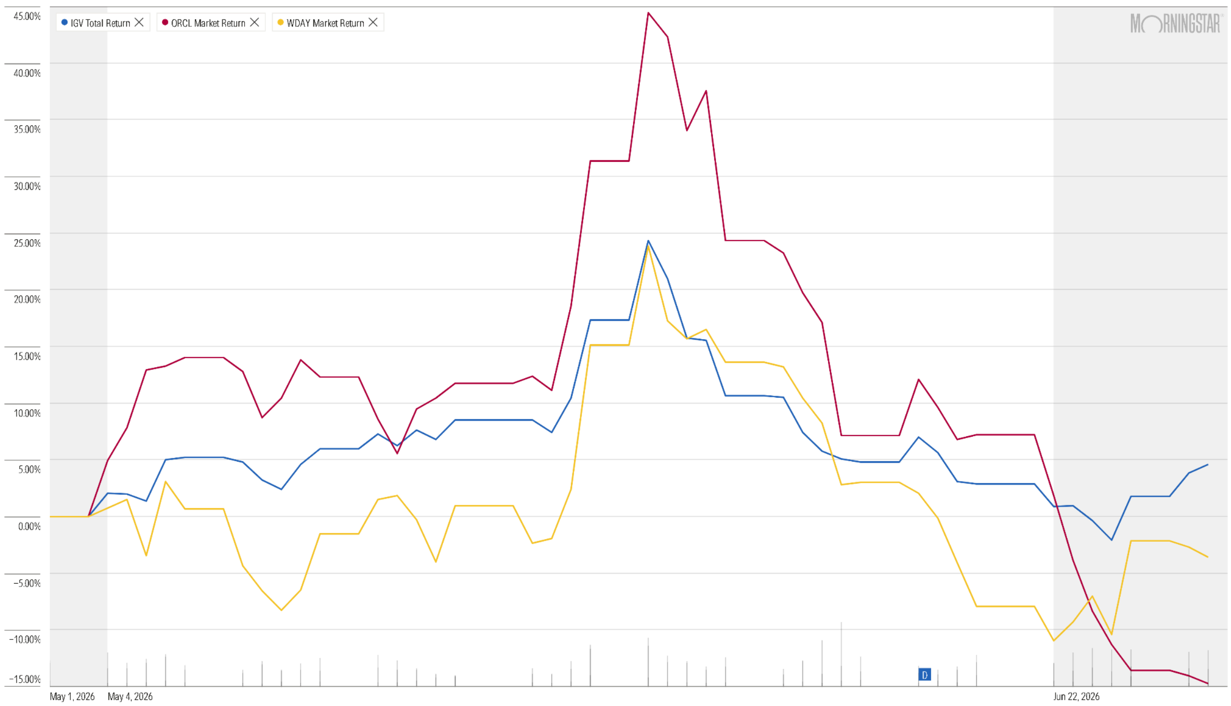



*Performance, positions present over the entirety of Q2 period.*

Growth saw rather underwhelming results, which we attribute to the lag of the Mag 7 and broader timing issues. Exactly half of the fund is in the Mag 7 stocks (currently, every one except Tesla), which have seen disappointing results over the inception period. Only five stocks saw positive returns over the period, and none of which were positions that initially were weighted with higher conviction (~7% or higher by portfolio weight). Our top five positions by weight all declined, with a blended return of our top five positions over the period sitting at -10.15%.

MSFT, our highest conviction stock at roughly 20% weight, saw poor results over the inception period, declining roughly 10% over the period. Meta and Amazon also saw relatively muted results, both down ~10% as well over the period. Overall, our investment theses remain intact for every position within the fund, and softer performance over the two months is in no way indicative of future performance, which we expect to pick up over the back half of the year.

We saw two strong exits on ORCL and WDAY, picking up gains of 45.8% and 21.2% respectively, though these stocks combined made up 10% weight at the time of sale. Our investment theses on these stocks were validated during a short period of improved market sentiment regarding the impact of AI on the software industry as a whole. The two positions were exited around the peak of the software rally, which was spurred by a decision to weight the fund away from high software concentration while maintaining a favorable return.




*Attached above, Q2 results of ORCL, WDAY & IGV, an Expanded Tech-Software Sector ETF.*

Overall, we remain optimistic on Q3 outlook. We expect recovery of the Mag 7 stocks, along with ADBE and S&P global, as our long-term investment theses remain intact. We still do not see any meaningful disruption of AI to the software sector as a whole, as the value of enterprise is still in domain expertise, workflows and integration of those workflows, along with security and network effects that serve as economic moats that AI cannot generate nor meaningfully replace. We also believe market speculation around CapEx spending in the Mag 7 is creating short-term noise that is driving the stock prices down.

Intrinsically, we believe the blended confidence and price of the intrinsic value of the positions in Growth has moderately increased over the quarter, despite the value lagging.

## Value

While value has only existed for one month out of the duration of Q2, we are optimistic and satisfied with the results thus far. We expected to be in the red during the first few months of this value fund, due to the nature of most positions in the portfolio going against market momentum. We remain optimistic due to our belief in the long-term, intrinsic price of the positions in value.

Defensive stocks stood out with the best returns in the quarter. MKC, CLX and RBGLY all posted strong gains, with a blended return of around ~9%, representing a rotation into defensive sectors as conflict with Iran and inflation fears led traders to turn to defensive stocks. BAC was the top performer, returning roughly ~13% over the period. Utilities, namely EIX, advanced on this same sentiment as well. This performance was mirrored by capital markets across the sector as well, as large-cap banks benefited from rate stabilization.

Healthcare was mixed, with DHR and TMO showing strong results, while PFE and BSX declined, facing pipeline and procedural-volume concerns. International stocks were a drag, with SONY and RELX falling ~9%, a result of yen weakness and broad softness within international markets as a whole. Rate-sensitive equities struggled as significant rate volatility occurred within US markets, a direct result of international conflict with Iran. Our real estate positions, CSGP and AMT dropped roughly ~10% each. Fintech declined for similar cyclical reasons, with EFX and BR declining ~8.7% and ~14.8%, respectively. Our telecom position, TMUS, declined on fears of disruption from SpaceX in the consumer wireless markets, something we do not see playing out in the future, as the capabilities of SpaceX are focused on orbital data-centers, not earth-bound carriers. Any notion that SpaceX will replace or meaningfully disrupt legacy wireless carriers is highly speculative and detracts from the already speculative goals of SpaceX itself.

On consumer discretionary, travel names did well, while other forms of discretionary spending struggled. BKNG rose ~8%, while NKE and DIS lost ~9.7% and 4.1% respectively. Across broader themes, consumer discretionary as a sector remained relatively flat.

Overall, the portfolio represented and followed market sentiment for the most part, seeing a similar return to the S&P500, but lagged behind its Russell 1000 Value benchmark by roughly 300bp. We are pleased with the performance of our staples and defensive stocks thus far, and we believe that when international volatility normalizes, overall fund performance will see strong returns. Our long-term investment theses for all positions remain intact, and we see the performance of the fund thus far as signal rather than noise.

## 4. Process notes.

We have developed a formal DCF process, where certain, high conviction positions will be backed by a full DCF analysis, which will allow us to give price targets to certain positions. Due to working at the Spokesman-Review and having less time to do complete investment theses for each and every position, we are switching to shorter ‘analyst notes’ for most positions now, along with earnings updates for certain positions as well. This allows for substance to exist over a wide range of positions, without compromising breadth of coverage. Furthermore, we are initiating sector coverage on certain Telecom and Utility companies, where we will be conducting in depth DCF analysis and investment memo write-ups.

## 5. Outlook.

Overall, we remain very optimistic on the outlook for both sleeves. So far, analyst price targets remain bullish on META, AMZN, MSFT, GOOG, and NVDA, confirming our investment theses. We expect our higher weight positions in Growth to normalize over the course of Q3. We are aiming to trim various tech positions within Growth, with the hopes of enabling diversification across non-tech sectors to make the portfolio less correlated with the tech sector as a whole.

## 6. Subsequent Developments

As of writing this on July 27th, almost one month into Q3, Growth sits at a 3% gain, and Value at 3.5%. Earnings have been positive news for our portfolios thus far, with ServiceNow’s raised guidance and adoption of AI monetization policies confirming our investment theses across numerous names. Alphabet is an interesting name to monitor, because its AI CapEx spending almost serves as a microcosm for the rest of the Mag 7 and their return on AI-related expenditures. SPGI, at 9.6% weight, saw a 14% gain two days after quarter end, which also understated the fund’s performance.