

Q2 2026 Investor Letter

Illusion of a Snapshot

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Results as of 06/30/2026

JB Global Capital - Comparable Investment Returns

Results through Q2 2026 and Since Inception

Time Period:	FY 2023	FY 2024	FY 2025	Q1 2026	Q2 2026	Since Inception (1/3/2023)
JB Global Capital Fund	18.4%	23.1%	67.5%	-2.3%	-12.1%	109.7%
VT World Index	19.3%	15.1%	22.4%	-1.0%	13.9%	89.5%
S&P 500 Index	24.2%	22.3%	16.4%	-4.3%	14.9%	94.4%

Source: Jack Beiro, MBA • Created with Datawrapper

Since inception on January 3, 2023, JB Global Capital has returned **109.7%**, compared with 94.4% for the S&P 500 and 89.5% for the Vanguard Total World Stock ETF (VT). The fund returned **67.5%** in 2025, its strongest full calendar year since inception.

The JB Global Capital Fund declined 12.1% in Q2, driven primarily by **Alibaba**, which represented roughly 55% of the portfolio and closed the quarter near a 52-week low of \$92 per share. By the time I write this, however, it trades above \$129, a 40% move in five weeks. **PayPal**, my third-largest position, received a joint acquisition proposal from Stripe and Advent International at \$60.50 per share, a **~52% premium** to my purchase price. The bid was reported July 14th, two weeks after the quarter closed. Whether the deal closes at that price, a higher one, or not at all remains uncertain.

I mention this not to dismiss the quarter's result, but to illustrate why performance alone is not the point of these letters. The numbers represent an **arbitrary snapshot of a living portfolio**. I write these letters to talk about businesses and the world they operate in, not to keep score every ninety days. I'll keep publishing results as a matter

of form, but I ask that you hold the number as a receipt, not a verdict. A single quarter measures volatility. Several years begin to measure the quality of the process.

Portfolio Company Updates:

Alibaba Group Holdings **BABA -1.77%↓**



Photo by Zonghe Ma on Unsplash

Alibaba reported its March-quarter and fiscal year 2026 results on May 13th. A full breakdown is available in [Alibaba's Earnings: Strategic Implications](#), including an updated sum-of-the-parts financial model for paid subscribers.

The results show a company deliberately redirecting capital into AI infrastructure. Near-term profitability reflected those investments. Net income and free cash flow declined, and quick commerce losses continued to weigh on results. Against that backdrop, the parts of the business directly tied to the AI thesis told a different story: customer management revenue and Cloud both returned to growth. Cloud's external revenue growth reached 40%, and management expects growth to accelerate in the quarters ahead. CEO Eddie Wu told shareholders that not a single server card sits idle right now, suggesting demand already exceeds capacity.

Management communication is my second-largest investment criterion after financial analysis. What leaders choose *not* to say often matters as much as what they disclose. In my [Q1 letter](#), I criticized Alibaba's vague AI monetization commentary and lack of measurable targets. This quarter, management addressed both concerns directly, disclosing AI product revenue for the first time at an annualized run rate of approximately \$5.3 billion, alongside specific targets through fiscal year-end.

Since quarter-end, two developments have strengthened my conviction that Alibaba's AI opportunity is becoming a competitive advantage rather than simply a capital

allocation story. In mid-July, Chinese regulators approved Apple Intelligence for launch in China, with Alibaba's Qwen selected as a technical partner. The financial impact of the partnership may be modest, but the strategic significance is meaningful. Apple had several domestic AI providers to choose from, making its decision additional evidence that Alibaba is among China's leading AI platforms.

Then on August 3rd, Alibaba released [Qwen 3.8-Max](#), its largest model to date, reporting benchmark performance comparable to leading frontier models, although independent verification and additional technical details are still pending. Six months ago, the bull case rested on Alibaba's distribution and infrastructure carrying an AI business that was merely adequate. The evidence now points toward a different possibility: Alibaba may possess both the infrastructure and the technology to compete near the frontier.

I have made no changes to the position through the decline to \$92 or the subsequent recovery above \$129. Alibaba remains roughly 55% of the portfolio, a deliberate level of concentration that reflects both my conviction and the volatility that comes with it.

PayPal Holdings [PYPL -0.12%↓](#)



Photo by Muhammad Asyfaul on Unsplash

I initiated PayPal at \$39.84 per share in February, publishing my thesis in [PayPal: Heads I Win, Tails I Don't Lose Much](#), available in full to paid subscribers with downloadable EPV, SOTP, and DCF models. I bought PayPal because I believed the market was valuing a durable, cash-generative payments franchise as though it faced permanent structural decline. My analysis suggested that even under conservative

assumptions, intrinsic value exceeded the market price by a meaningful margin. The investment ultimately rested on a simple conclusion:

The business didn't need to improve dramatically to generate an adequate return; it simply needed to remain intact.

Since then, two things happened. On July 14th, Stripe and Advent International offered \$60.50 per share, a ~52% premium to my entry, backed by roughly \$50 billion in committed financing. Two weeks later, Q2 results provided additional evidence supporting several elements of the original thesis. Branded checkout stabilized at 2% for a second straight quarter, Venmo delivered its seventh straight quarter of double-digit growth at 14%, Braintree accelerated to 13% from 11%, and management raised full-year guidance for both transaction margin dollars and EPS. Trailing twelve-month buybacks reached \$6 billion, consistent with the pace assumed in my models and supportive of the intrinsic value framework.

CEO Enrique Lores tied the cost-savings program directly to self-funding future investment rather than margin expansion for its own sake. The agentic commerce thread from the original thesis also resurfaced unprompted: Lores called agentic payments and digital identity areas where "the industry will be fundamentally reshaped," pointing to 2028 as when these initiatives, alongside PayPal World and ads, start contributing meaningfully.

The **\$60.50** offer lands almost exactly within my conservative EPV and SOTP valuation ranges while remaining just below my **\$64.76** DCF base case. Between the acquisition proposal and Q2 execution, the original valuation framework has held up well.

Flowers Foods [FLO 0.00%↑](#)

Flowers Foods, my second-largest position, reported earnings on May 21st, and the stock surged over 15% on the release. I covered the full breakdown in [Flowers Foods Earnings: The Dividend Cut the Market Mispriced](#), available to paid subscribers with accompanying valuation models.

The reasoning was straightforward: a conservative, defensive business at a distressed price. Bread is one of the most resilient consumer categories: non-discretionary, habitual, and remarkably stable across economic cycles. Flowers is the second-largest player behind Grupo Bimbo, backed by a direct-store-delivery network that's expensive for competitors to replicate. At entry (first \$8.50, then \$6.80), the stock carried a double-digit dividend yield, and my sum-of-the-parts model put fair value at \$13-14 even under conservative assumptions, a low-risk category at roughly half of asset value.

Management cut the dividend 50%, freeing roughly \$112 million annually to pay down debt. Combined with a target of below 3x debt-to-EBITDA by fiscal 2027, the move directly addresses the October 2026 maturity I identified as a key risk. Additionally, the brands are holding up: Flowers raised prices without losing as much volume as feared, and Simple Mills contributed 3.6% growth to branded retail sales in its first full quarter under Flowers ownership. The key remaining risks are continued volume pressure or a more prolonged competitive response from private-label alternatives. Overall, the quarter did not change the thesis; it strengthened the view that the market had priced in a worse outcome than the business ultimately delivered.

What Went Wrong: Lululemon LULU -0.19%↓

In September 2025, I published [Investment Case: Lululemon Athletica Inc.](#), calling the stock compelling value at \$162 per share. The thesis rested on a business trading well below what its fundamentals justified: a debt-free balance sheet, 58% gross margins against a 33% industry average, and a brand strong enough to sustain 37% operating margins in both North America and mainland China. Triangulating across a DCF, relative comps to Nike and Adidas, and net asset value, I arrived at a fair value range of \$194-280 per share. Today, the stock trades at roughly \$123 per share, 24% below my initial entry.

So what went wrong? Two things: one about my own process, and one about how little of the future can be known in advance.

The first is the limits of backward-looking analysis. My thesis leaned heavily on trailing financials that were real, but *historical*. Since then, gross margin has compressed, operating margin has contracted, and ROE is down nearly 10% from a year ago. None of this means the business is broken. The balance sheet is still debt-free with \$1.5 billion in cash, margins remain well above most apparel peers, and I still hold the position at roughly 9% of the portfolio. But it's a reminder that heavily underwriting the past for an exceptional business is an easy way to end up underwater on a position.

The second: two months after I published the thesis, CEO Calvin McDonald announced his departure amid a slowing North American business and mounting pressure from founder Chip Wilson, who then waged a five-month proxy fight. Heidi O'Neill, formerly of Nike, was announced as taking over as CEO in September. The lesson here is that a financial model can price margins and balance sheets; it has no way to price a leadership vacuum or a founder-versus-board fight. I don't yet have a strong view on who was right, and I'd rather say that plainly than manufacture conviction either way.

Lululemon is the reminder that conviction and certainty aren't the same thing. I still have conviction in the business. I don't yet have certainty about the leadership, and at a smaller position size, I can afford to wait for the dust to settle.

Looking Ahead

Between Alibaba's move off its lows, PayPal's takeover offer, and Flowers' dividend reset all landing within weeks of each other, it would be easy to read this letter as a string of catalysts finally paying off. I'd caution against that read and Lululemon is a useful example: same process with a worse result. None of these outcomes were catalysts I anticipated or timed. The only thing I can take credit for is the underlying work: building conservative valuations, focusing on the business itself rather than the stock price, and having the discipline to hold through a 52-week low as long as the underlying thesis remains intact. That is harder than it looks.

As always, thank you for being a member of JB Global Capital, and a special thank you to my paid subscribers. I look forward to putting out more work that helps you build your own investment process.

With gratitude,

Jack Beiro, MBA

JB Global Capital

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