One stock story: Alphinity Global – July 2026

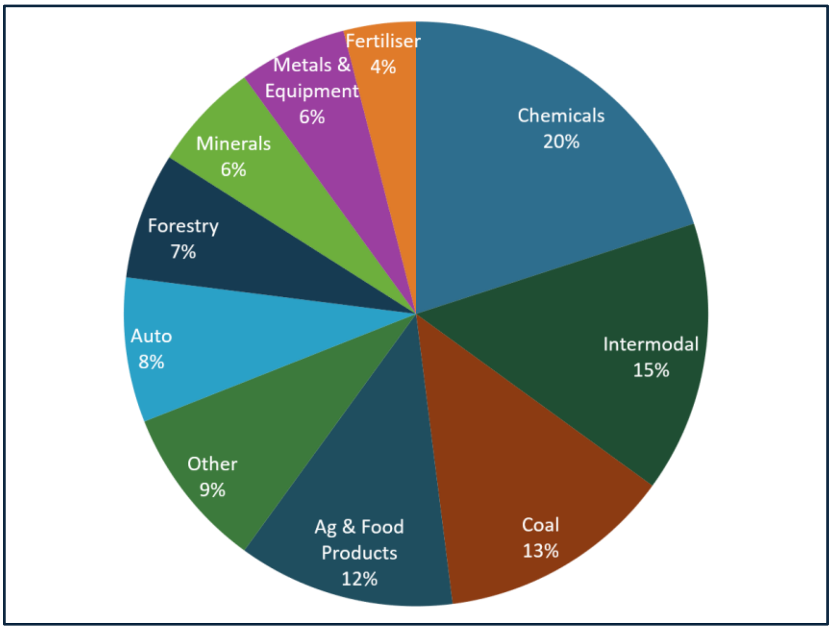
CSX - Riding the Freight Cycle Turn

What they do:

CSX is a Class I US freight railroad operating a ~20,000 route-mile network across 26 states along the Eastern seaboard, connecting roughly two-thirds of the US population and interchanging with over 250 short-line railroads and 70+ ports. We recently added CSX to our portfolios as one of the best-positioned names to benefit from an inflecting freight cycle, at a point where volumes are accelerating, pricing is yet to come through, and margins remain well below prior peaks.

+10.1% 2Q26 Revenue Growth	**+6%** 2Q26 Volume Growth	**+240bps** Op. Margin Expansion	**15-20% p.a.** Est. EPS Growth (FY26-27)

CSX - Well Diversified End Markets



Source: CSX 2Q26 Results

Why we added CSX

US freight markets (truck and rail) have been in an earnings downgrade cycle for over 3 years, reflecting weak industrial production and housing starts, alongside structural overcapacity in trucking following the post-COVID demand unwind. Some industry commentators have referred to it as the "Freight Recession" and the worst downturn since the GFC. The cycle now appears to have turned:

- **Trucking capacity is tightening.** New driver-supply legislation has tightened truck capacity by an estimated 5%+, and truck rates have already rallied ~50% off their lows — a dynamic that typically spills into rail pricing.
- **Volumes are leading, pricing is still to come.** Rail volumes have now grown year-on-year for three consecutive years and are accelerating, while pricing has been broadly flat for four

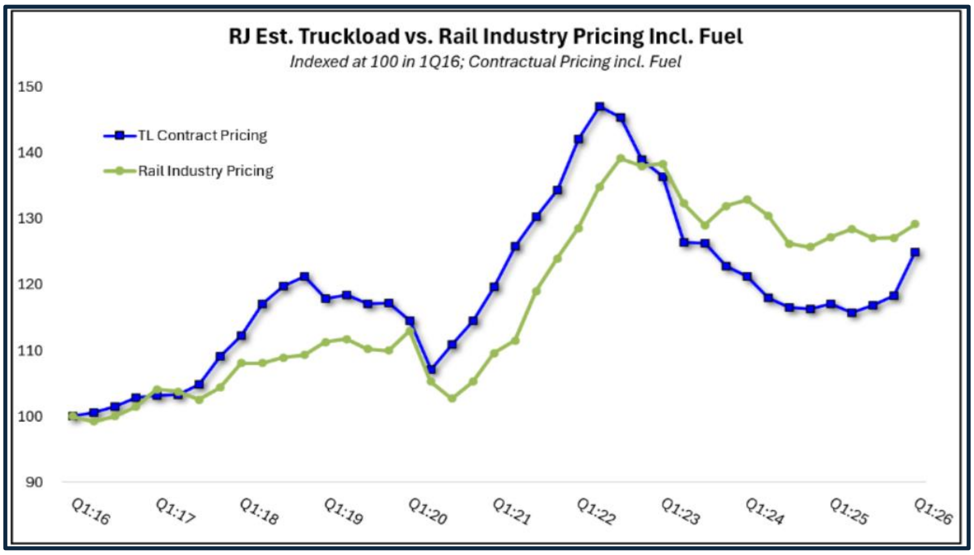
years and is yet to catch up.

- **Industry structure is consolidating.** The proposed UNP-NSC merger, if approved, would leave a more rational four-player structure (two north-south, two east-west), a backdrop we expect CSX to respond to via consolidation of its own (potentially BNSF).

Specifically, to CSX, new CEO Steve Angel (ex-Linde) is driving a cost and productivity agenda, while margins remain ~400bps below CSX's own peak and ~300bps below rail peers — leaving substantial room for improvement as volumes provide operating leverage.

Together, we see a sequence of upgrades: volumes, then price, then margin expansion, supporting earnings growth of 15-20% p.a. over the next two years, putting them in the top-quartile for the industrials sector.

Rail pricing & truckload pricing are typically very correlated



Source: RJ, 8 July 2026

2Q26 Results: Beat and Raise

CSX's June-quarter result was the first clear evidence the cycle is turning. Revenue rose 10.1% YoY to a record, EPS of $0.54 beat consensus by ~6%, and operating margins expanded 240bps, despite a 160bps fuel-price headwind. The standout was volume, up 6% (Intermodal +9%), well ahead of the softer freight backdrop management had planned for — a sign that demand strength is broadening rather than merely reflecting easy prior year comparisons.

- **Merchandise:** Revenue +8% on +4% volume; broad-based, with 6 of 7 sub-segments growing or holding flat. Chemicals volume +8% on plastics exports; Metals & Equipment revenue +14% on new plate mill and defence-related demand.
- **Intermodal:** Revenue +26% on +9% volume — the largest contributor to unit growth, aided by truck-to-rail conversions, new service lanes, and tightening truck capacity.
- **Coal:** Revenue +9% on +4% volume; export tonnage +12% on mine restarts, while domestic tonnage was softer on lower gas prices.

Management raised full-year guidance across all metrics, and noted underlying demand is already outrunning that upgraded guidance — though this came alongside a service/dwell trade-off the company is now working through.

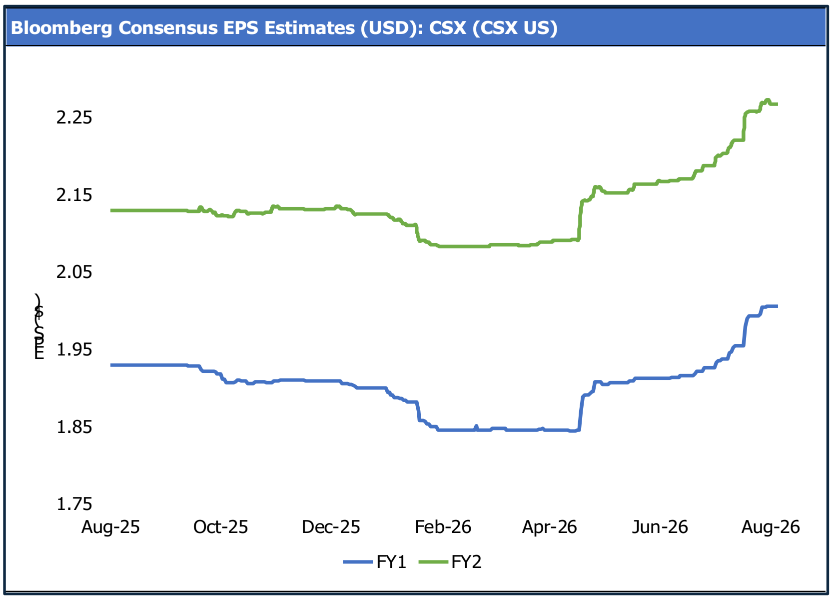
Metric	2Q25	Consensus 2Q26	Actual 2Q26	Beat/(Miss) %	YoY %
Sales ($M)	3,574	3,895.4	3,935	+1.0%	+10.1%
Operating income ($M)	1,283	1,441.9	1,506	+4.4%	+17.4%
Operating margin (%)	35.9%	37.0%	38.3%	+128bps	+240bps
Net earnings ($M)	829	950.5	1,002	+5.4%	+20.9%
EPS, diluted ($)	0.44	0.51	0.54	+5.9%	+22.7%

Source: CSX 2Q26 Results

Conclusion:

CSX offers a compelling combination: an inflecting industry cycle, a genuine margin recovery opportunity, and a consolidating competitive structure — all at a valuation we believe is more than justified by the earnings growth on offer. The 2Q26 result was the clearest sign yet that the cycle has turned, with volumes leading the way and pricing still to follow. This leaves CSX well placed to deliver top-quartile earnings growth within the industrials sector over the next two years.

Strong earnings upgrades driven by rail pricing inflecting and volume growth accelerating with momentum building across the sector.



Source: Alphinity, Bloomberg, 11 August 2026