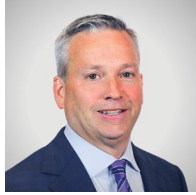


MARKET MINUTE

With McGAREL



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Past performance is no guarantee of future results.

The **Nasdaq-100 Index**[®] includes 100 of the largest domestic and international non-financial companies listed on The Nasdaq Stock Market based on market capitalization. Indices are unmanaged and investors cannot invest directly in an index. Index returns do not reflect any fees, expenses, or sales charges. These returns were the result of certain market factors and events which may not be repeated in the future.

AI CapEx (capital expenditure) Spending is the investment companies make to acquire, upgrade, and maintain the long-term, physical and intangible assets needed to develop and operate AI technology. CapEx is a strategic investment in long-term assets that is depreciated over time on a company's financial statements.

AMZN: Amazon.com, Inc. **MSFT:** Microsoft Corporation. **ORCL:** Oracle Corporation. **GOOGL:** Alphabet Inc. **META:** Meta.

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In the 1986 movie *Top Gun*, a seasoned officer scolds a cocky young pilot who is taking too much risk in the air by saying "...your ego is writing checks your body can't cash."

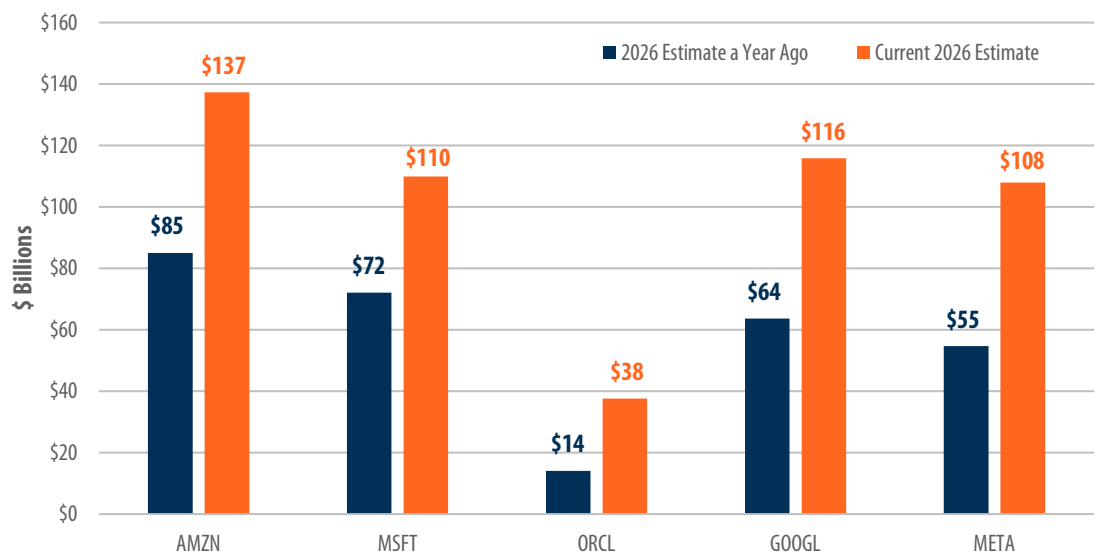
We love this analogy for the early November 2025 hiccup in everything Artificial Intelligence ("AI"), as the markets pivoted from applauding each announcement of extraordinary AI spending to voicing skepticism at the enormous cost and uncertain payoff. And it is not just in the equity markets. As leverage increases, investors are more discerning about the debt that is fueling the AI infrastructure build as well. *The Wall Street Journal* had a recent article detailing the increasing amounts of debt from AI-related issuers and noting the widening spreads hyperscalers are being forced to pay as an indication of the rising capital expenditure ("CapEx") scrutiny.

While scrutiny has increased in recent quarters, the attitude to this point has been that all AI spending is good spending with very little discernment among the various players. This could be changing. In November 2025, the Nasdaq-100 Index[®] finished lower, breaking a seven month winning streak, despite the strong rebound in the last week of the month. We touched on the boom in AI CapEx in the April 2025 Market Minute where we showed the AI CapEx growth of the four major hyperscalers (AMZN, MSFT, GOOGL and META). Those numbers have only increased in the time since. As the chart below shows, 2026 AI CapEx estimates for those four hyperscalers have gone from \$276B a year ago to over \$470B today, a 70% increase. In addition, Oracle Corp. has announced its decision to compete with the hyperscalers despite needing to raise significant capital to fund its ambitions. Of course the risks are increasing...it's just math. We have never seen anything like this, especially with such an uncertain payoff. We expect equity investors to want more clarity and debt investors to want higher coupons.

The equity and debt markets, as always, have become more wary of the risks and the selloff in early November 2025 impacting all risk assets is a great signal to us that the road ahead could be more volatile. We see this as the primary story for the equity markets as we move into the end of the year.

With the Federal Reserve leaning in an accommodative direction and sectors other than technology showing growth potential at comparatively attractive valuations, we believe this may be a good opportunity for investors to reassess their portfolio allocations. It can also serve as a reminder that diversification takes precedence over fear of missing out ("FOMO"). That's what the market just warned us, in our view. Take heed.

2026 AI CapEx Spending Estimate



Source: Capital IQ. Data as of 28/11/2025. The chart is for illustrative purposes and does not represent any actual investment. There is no guarantee that past trends will continue, or projections will be realized. Estimates are based on projected capital expenditures for Mega Tech Stocks.