

Perspectives

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The Power of Innovation

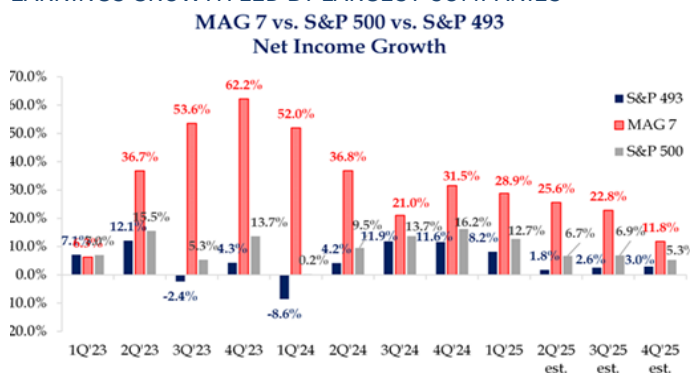
A Two-Speed Economy

In the 2008 movie Iron Man, the story of Tony Stark's invention of a powerful, armoured suit was a personal escape that also became a technological leap that spawned a multi-billion dollar industry. The story encapsulates how a single, transformative idea ripples through an entire economy. Elements of that story are transpiring today. From a top-down perspective, in the U.S., there is evidence of a slowing economy. Labour markets are slowly unwinding, consumer spending and consumer confidence are cooling down, and inflationary pressures remain elevated from tariffs. Yet, in contrast, stock markets are at all-time highs. What gives?

Perhaps the answer lies in the transformative opportunity that is artificial intelligence (AI). The race to develop and sustain artificial intelligence is fueling significant investments, not only in AI itself, but in the infrastructure needed to achieve this goal. These investments have been critical in helping support and revolutionize the economy. Five of America's largest tech companies alone – Microsoft, Amazon, Alphabet, Oracle and Meta – have spent a combined \$400 billion this fiscal year and committed to \$575 billion in 2026. This level of spending is trickling throughout the broader economy beyond technology. Datacenters need to be constructed, powered and cooled and the investments made into these are benefiting the Energy, Industrials, and Utilities sectors significantly. AI alone now drives more than a quarter of all U.S. business investment.

Whether this “two-speed economy” can continue to support rising stock markets is a big question. So far, the earnings underpinning stock prices have remained very resilient. Earnings growth is tracking towards 11% year-over-year growth, with the largest tech companies doing a lot of the heavy lifting.

EARNINGS GROWTH LED BY LARGEST COMPANIES

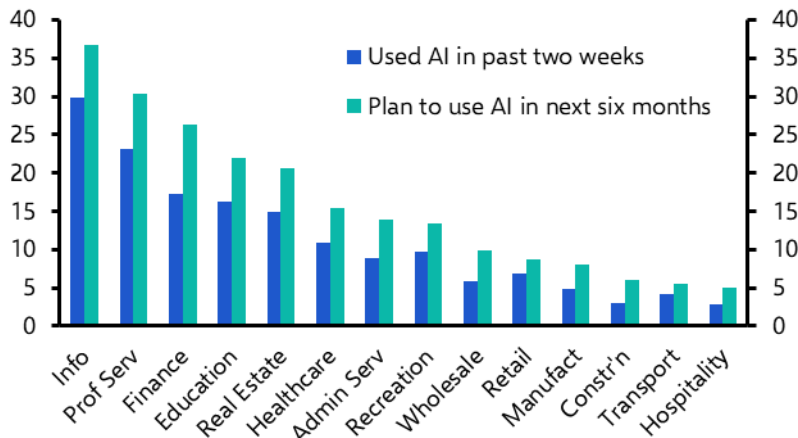


SOURCE: STRATEGAS RESEARCH, FACTSET

An Era of Innovation

Maybe it should not be so surprising that technology has taken such an important role in stock markets. After all, change is happening all around us and at a far more rapid pace than ever before. Consider how some of these things may be changing in our daily lives:

How we work – A recent survey showed that a significant portion of people plan to use artificial intelligence tools at work.

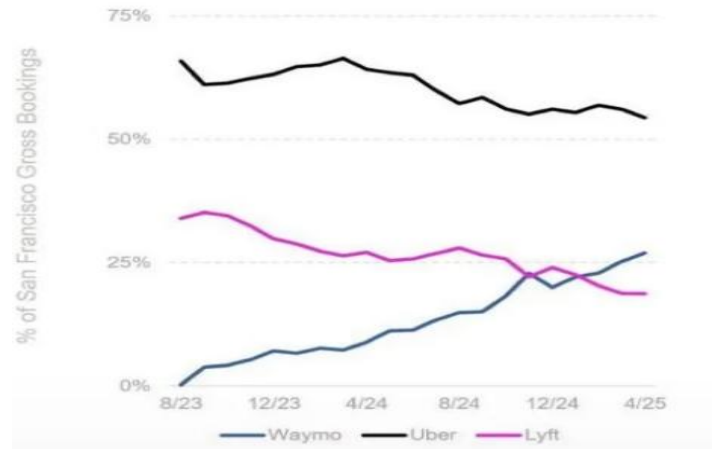


SOURCE: CAPITAL ECONOMICS

How we get around – Have you ever been in a self-driving taxi? If not, chances are you will in the near future. In San Francisco, robotaxi service Waymo (owned by Alphabet) already has 27% market share and has already surged past Lyft, rapidly closing in on Uber. Meanwhile, Tesla launched its robotaxi service in Austin, Texas last month. We saw Uber respond, partnering with Lucid (an EV automaker) and Nuro (an autonomous vehicle operator) to launch robotaxi service in 2026, planning to deploy at least 20K vehicles over a 6-year period. Eventually, it will happen everywhere.

DRIVERLESS CARS ON THE RISE IN SAN FRANCISCO

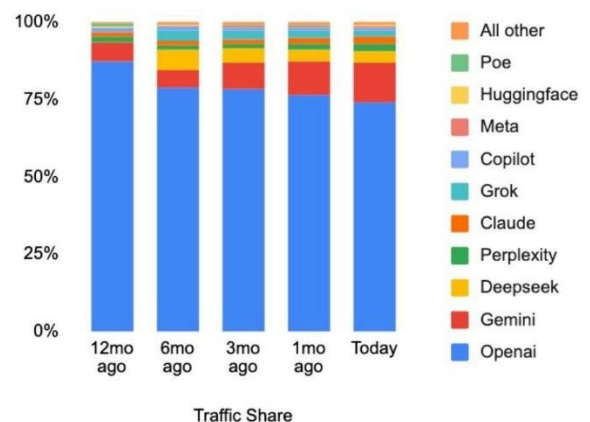
Estimated Market Share (Gross Bookings) – 8/23–4/25, San Francisco Operating Zone, per YipitData



How we search - The era of "Googling it" is rapidly evolving into "asking it." We are moving from a search engine economy—where we hunted through blue links for information—to an answer engine economy. OpenAI, once the solitary leader with ChatGPT, now faces fierce competition. Google's Gemini has surged in capability and use, while challengers like Anthropic's Claude and xAI's Grok are pushing the boundaries. For the first time in two decades, how we access human knowledge is undergoing a fundamental reconstruction. The battle for the future of information is the most expensive arms race in tech history. OpenAI, the pioneer behind ChatGPT, now commands a staggering \$500B valuation, in the private markets but the moat is narrowing.

Generative AI Traffic Share

similarweb



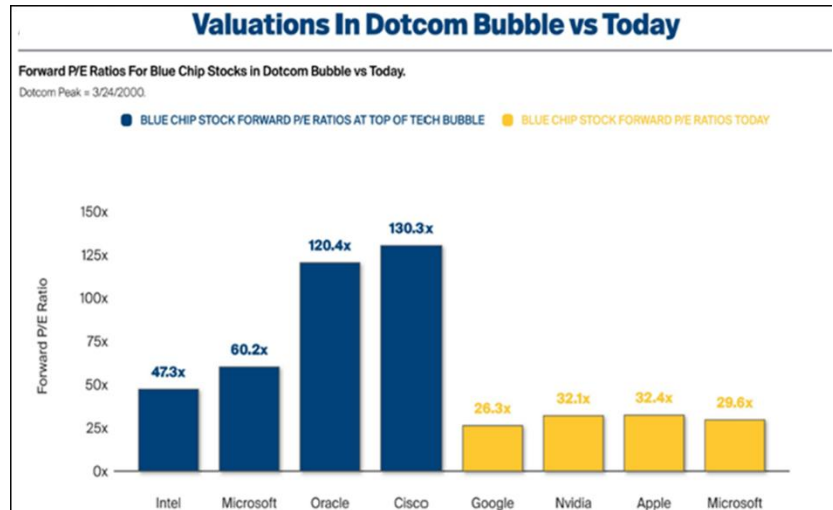
SOURCE: Yipit, FactSet, SimilarWeb,

Are We In A Bubble

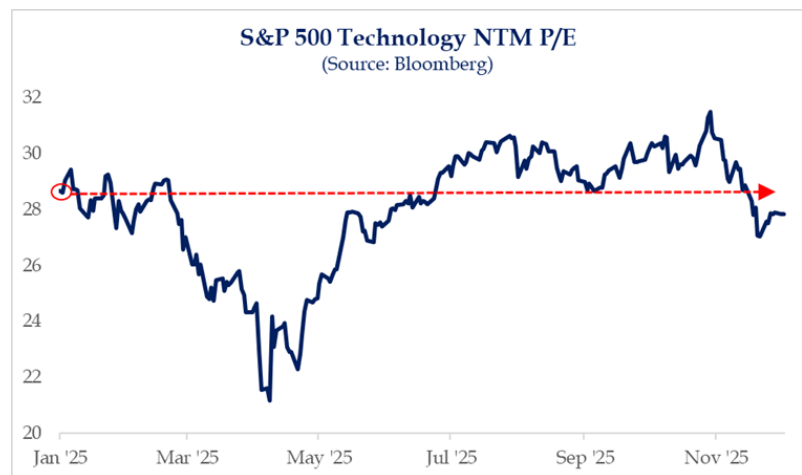
Whenever tech stocks rally, the 'Dotcom Bubble' comparisons inevitably follow. But the data suggests we are in a fundamentally different environment. During the peak of the 2000 bubble, investors were paying for 'eyeballs' and unproven business models. Cisco traded at 130x earnings; Oracle traded at 120x. Today, despite their dominance, the 'Mag 7' trade at high but reasonable valuations.

- Then: The average Top 7 tech company traded at ~67x earnings.
- Now: The average stands at ~29x earnings.

Here is the most surprising stat of 2025: Technology has seen virtually no multiple expansion this year. As the chart above highlights, the P/E ratio for the tech sector in November is almost identical to where it started in January. This means the stock price appreciation we've seen in 2025 hasn't been driven by investors getting more speculative. Instead, it has been driven purely by the earnings themselves. The profitability across the tech sector is substantial, and it's hard to imagine AI-related capex suddenly coming to a halt. Growth will inevitably slow, but the absolute dollar spend is likely to remain elevated.



SOURCE: Bloomberg, JPMorgan, Strategas, FACTSET



The New "Most Valuable Commodity"

"Compute" has become the oil of the 21st century—a resource so critical that companies are spending hundreds of billions to secure it. If you want to understand where the world's priorities have shifted, look no further than this single graphic. Nvidia is now worth more (\$4.6T) than the entire global pharmaceutical industry combined (\$4.2T).

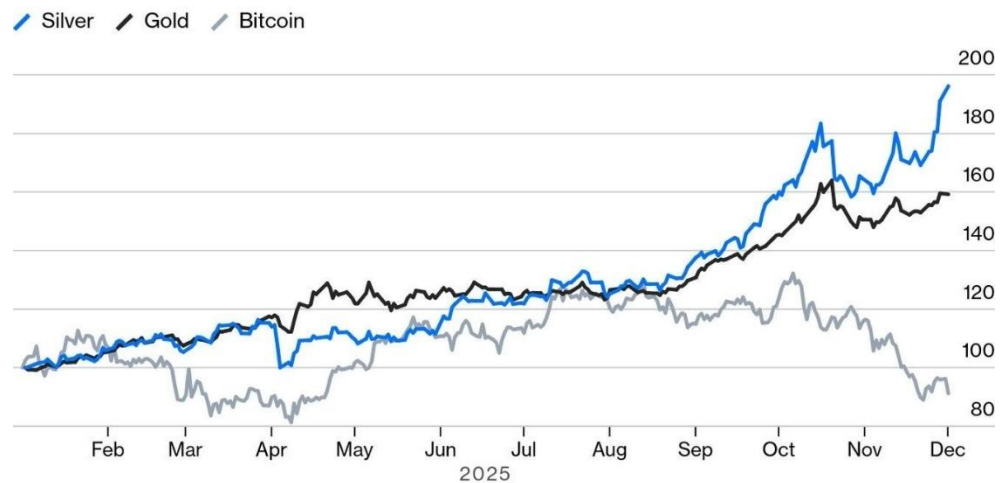
The market has effectively decided that the chips powering artificial intelligence are more valuable than the companies curing cancer, diabetes, and heart disease. While this chart highlights the sheer scale of the AI build-out, it also signals a market priced for perfection. Nvidia is being valued as if its exponential growth will continue indefinitely—a dangerous assumption in a cyclical industry. We acknowledge the trend, but just like with oil, buying the producer at the peak of a boom is often a recipe for disappointment..

Chart of the Month: Gold & Silver Break Up with Bitcoin

For much of the year, 'digital gold' (Bitcoin) and actual gold moved in tandem. But as we closed out 2025, that relationship shattered. While precious metals surged to new all-time highs amid renewed nerves about risk assets, Bitcoin went the opposite direction. This divergence suggests that when push comes to shove, investors are still favoring tangible safety over digital scarcity.

We see a few key forces underpinning the rally: lower real yields, persistent government deficits driving currency debasement fears, and sustained, aggressive gold-buying from foreign central banks. Foreign central banks, led by China, are systematically dumping U.S. Treasuries to stockpile physical gold. China has been cutting its Treasury holdings for consecutive months while simultaneously extending its gold buying streak for over two years. With the Federal Reserve signaling a clear path of interest rate cuts, the 'opportunity cost' of holding non-yielding assets like gold has vanished. But more importantly, investors are sniffing out currency debasement. With U.S. interest payments now exceeding defense spending and 15% of the entire budget, investors see runaway government spending and unsustainable debt levels as a one-way ticket to currency debasement.

Within our managed portfolios, we own top-tier operators like Agnico Eagle (up 104% YTD) and Wheaton Precious Metals (up 82% YTD). Agnico Eagle is a proudly Canadian company, headquartered in Toronto, Ontario. Its largest and most critical asset is the Detour Lake Mine, located in northeastern Ontario.



Podcast Corner

Here is a recent podcast that our team found interesting:

Mark Zuckerberg: How AI Will Cure All Disease

[Click to listen on Youtube](#)

Mark & Priscilla Zuckerberg join a16z's Podcast to share how the Chan Zuckerberg Initiative is building the computational tools that will accelerate the cure, prevention, and management of all disease by century's end.

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