Monthly Investment & Market Briefing

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xypn invest

Presenter

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Agenda

Index Performance and Headlines

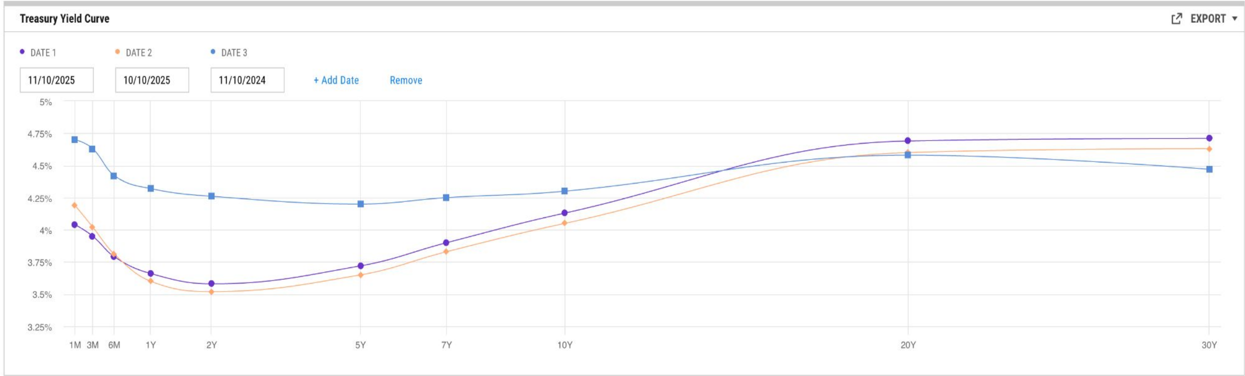
Is Ai in a Bubble?

Valuation & Concentration

Index Performance

SECURITY NAME	YEAR TO DATE TOTAL RETURNS (DAILY) ▼	1 MONTH TOTAL RETURNS (DAILY)	1 YEAR TOTAL RETURNS (DAILY)
S&P GSCI Gold	54.56%	3.25%	55.46%
MSCI Emerging Markets Total Return	33.76%	2.80%	28.08%
MSCI EAFE Total Return	28.89%	2.82%	25.27%
S&P 500 Growth Total Return	22.67%	4.77%	23.29%
Nasdaq Composite Total Return	22.18%	5.72%	22.41%
MSCI ACWI Total Return	21.95%	3.88%	19.14%
S&P 500 Total Return	17.67%	4.55%	15.57%
S&P 500 Value Total Return	12.18%	4.30%	6.34%
Russell 2000 Total Return	11.46%	2.72%	2.34%
Bloomberg US Aggregate	6.77%	0.03%	5.79%
Bloomberg Municipal Bond	4.03%	0.82%	3.75%

Treasury Curve



Tier 1: Selling Hardware (The "Picks & Shovels")

Chipmakers (e.g., NVIDIA)

Sell essential GPUs and AI accelerators. This is the starting point of the spending cycle.

Component Suppliers

Provide high-speed networking (e.g., Broadcom) and specialized memory (e.g., Micron) for data centers.

Data Center Operators

Offer the physical space, power, and cooling (e.g., Equinix, Digital Realty) for AI hardware.

Tier 2: Building Models & Running Servers

The "Hyperscalers"

This tier is dominated by cloud providers (Microsoft, Google, AWS):

- They are the largest **buyers** of Tier 1 hardware.
- They use this hardware to build massive cloud platforms (IaaS).
- They train and develop their own proprietary foundational AI models.
- They are the central hub, acting as both top-tier buyers and top-tier sellers to the rest of the market.

Tier 3: Licensing Models & Building Apps

Licensing Models (Consuming AI)

Most S&P 500 firms (finance, healthcare, etc.) pay for API access to the models built by Tier 2 providers. This is a primary software (SaaS) expense to gain AI capabilities.

e.g., **JPMorgan Chase** licensing models from Microsoft or Google for fraud detection and market analysis.

Building Applications (Using AI)

Companies also rent compute power from Tier 2 to fine-tune models or run their own custom AI applications, integrating AI into their core business processes for productivity gains.

e.g., **Adobe** building its Firefly AI features by training and running models on its cloud infrastructure.

Tier 0: The Foundational Cost (Power & Physical Build)

Energy Supply & Utilities

AI data centers demand unprecedented amounts of electricity. Hyperscalers spend heavily on:

- Long-term **Power Purchase Agreements (PPAs)**.
- Investment in **Grid Modernization** and new power sources.
- This spending flows to **Utility Companies** and energy infrastructure developers.

Physical Infrastructure CAPEX

The pace of data center construction is soaring, leading to massive non-IT capital expenditure consumed by:

- **Land Acquisition** and physical construction.
- **Cooling Systems** and specialized racks.
- The scale often requires reliance on **Debt Markets** for financing the massive buildouts.

Year 2000 vs Today

GE	Industrials	NVDA	Information Technology
Microsoft	Info Tech	AAPL	Information Technology
Exxon Mobil	Energy	MSFT	Information Technology
Pfizer	Healthcare	GOOG	Communication Services
Wal-Mart	Consumer	AMZN	Consumer Discretionary
Citigroup	Financials	AVGO	Information Technology
Cisco Systems	Info Tech	META	Communication Services
Intel	Info Tech	TSLA	Consumer Discretionary
IBM	Info Tech	BRK.B	Financials
AIG	Financials	LLY	Health Care

Concentration vs DotCom Bubble

2000
Market Cap = 22% S&P

Avg ROE = 23%

Avg EBIT Margin = 25%

2025
Market Cap = 40% S&P

Avg ROE = 55%

Avg EBIT Margin = 33%

S&P 500 PE Ratios

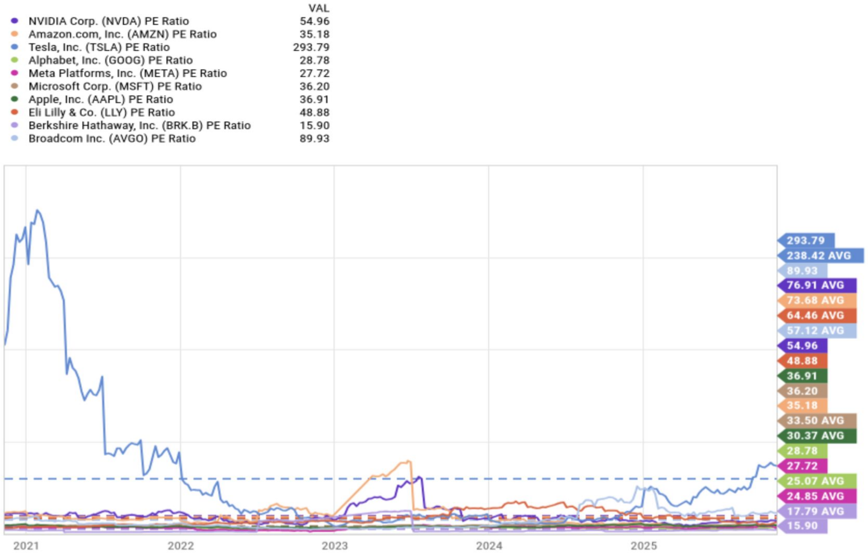
6 of Top 10 companies have higher PEs than 5 year average

280/503 companies have PEs lower than their 5 year averages

Weighted Average PE of Top 10 = 27

Bottom 493 Weighted Average PE = 17

10 Co's make up ~40% of S&P 500



Earnings Growth & Stock Returns

2022

2023

2024

So are we in a bubble?

13% Annualized Quarterly YOY Earnings Growth

17% S&P 500 YTD

More Concentrated Market but also More Insulated

Valuation averages trending higher

Investing in Industry growth vs speculating on financial asset prices

XYPN Model Management

Passive Tracker	Semi-Active XYPN Core	Active Model Managers/DFA
Globally Indexed	XYPN Thought Leadership	Vetted Managers
Lowest Cost ETFs	Tactical Allocation	XYPN Education
Manager Agnostic	Manager Agnostic	XYPN Implementation

Questions?

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