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Investing for a
world of change

The music is still playing. But for how long?

In July 2007, just months before the global financial crisis broke, Citigroup CEO Chuck Prince gave one of the most revealing quotes in modern financial history. “As long as the music is playing,” he told the Financial Times, “you’ve got to get up and dance. We’re still dancing.” He was still dancing when the music stopped.



Clyde Rossouw
Head of Quality

A story that should sound familiar

In March 2000, Julian Robertson, founder of Tiger Management and one of the most celebrated investors of his generation, wrote a letter to his limited partners and returned their capital. He had spent two years underperforming badly. His style of buying the best businesses and shorting the worst had stopped working in a market where earnings and fundamentals had been replaced by mouse clicks and momentum.

“In an irrational market,” he wrote, “such logic does not count for much.”

The Nasdaq peaked ten days later and lost 80% of its value over the following two years. Robertson was right. The clients who redeemed at the bottom never saw the reversal they had waited years for.

This pattern has surfaced before. Every significant market dislocation in modern financial history has been anchored to a compelling story. Railroads genuinely transformed economies. Japanese industry was indeed dominant. The internet changed the world. None of that prevented those markets from becoming deeply overvalued. Euphoria does not attach itself to bad ideas. It attaches itself to very good ones, taken too far.

The AI story is real. The question is the pricing

The AI story today is similarly compelling. We believe the technology is indisputably transformative. But Jeremy Grantham, one of the great students of market cycles, makes a point worth considering: every significant technological breakthrough tends to follow the same pattern. Genuine innovation, massive capital inflows, overcapacity, and then a repricing. The technology survives. Investors who paid for perfection often do not.

Look at the data on market concentration across history. Railroads at 63% of US market cap. Japan at 44% of global equity. The dot-com TMT trade at 41%. Today, the AI Big 10 sits at 40% of US market cap¹ and climbing. The numbers do not repeat exactly. But they rhyme with a consistency that is worth paying attention to.

Then consider the IPO market. SpaceX debuted on Nasdaq on 12 June at a valuation of roughly US\$1.8 trillion. Within three trading days it had surged nearly 50%, briefly touching US\$2.8 trillion and adding close to US\$1 trillion in market value, one of the most remarkable stock market debuts in history. For context, Amazon carries a market cap of around US\$2.2 trillion on US\$750 billion in annual revenue. SpaceX reported US\$18.7 billion in revenue in 2025 and a net loss of US\$4.9 billion². OpenAI and Anthropic are lining up behind it.

This is not a buy, sell or hold recommendation for any particular security.

1. Source: BofA Global Investment Strategy, GFD Finaeon, Bloomberg. Note: Japan is measured as % of MSCI ACWI, all others as % of US stock market. "AI Big 10" = Magnificent 7 + Broadcom, AMD, Micron, 22 May 2026.
2. <https://www.sec.gov/Archives/edgar/data/1181412/000162828026036936/spaceexplorationtechnology.htm>

A glimpse of the exit

In early June, Broadcom reported strong earnings, with AI revenue up 143% year on year to US\$10.8 billion, yet the stock fell 15%. Not because the business disappointed, but because it merely reiterated rather than raised its full-year guidance. Good was not good enough.

The reaction offered a useful illustration of how sentiment can shift. Shares in AMD, one of Broadcom's closest rivals in the AI chip space, fell nearly 11% on the same day despite reporting no news of its own. The Nasdaq had its worst day since April 2025. Over US\$1.3 trillion in market value was erased in a single session across the chip sector. A strong US payrolls number added to the pressure, raising the prospect of rates staying higher for longer, a particular concern for businesses carrying significant debt.

Markets have since partially recovered. But for a moment, investors got a clear sense of how crowded these trades have become and how quickly the door narrows when sentiment shifts.

The AI infrastructure being built is real and the demand underpinning it is genuine. But the behavioural patterns surrounding it are ones history has punished before: markets narrowing to a handful of names, valuations that price in perfection, and insiders rushing to sell while conditions allow.

Meanwhile, the market has broadly written off software, IT services, and information businesses as AI losers, assuming generative AI will erode their value. We think this misreads both the technology and the businesses we hold.

These companies own proprietary data that cannot be replicated by an open model. They have entrenched customer relationships and mission-critical software embedded so deeply in client operations that a CFO under budget pressure will cut discretionary AI projects long before touching core systems. Their recurring revenues are strong, their balance sheets clean, and their starting valuations, after years of de-rating, are as attractive as we have seen them in some time.

A quality opportunity

Our Global Franchise strategy has an active share of approximately 90%. In practical terms, it means that the majority of our portfolio, by position and by weight, looks nothing like the index. When sentiment eventually rotates, corrections tend not to fall evenly. They fall hardest on the most crowded trades.

The hyperscalers we hold are exceptional businesses. But even they are showing signs of pressure. Companies that once generated surplus free cash flow are now funding AI ambitions partly through debt issuance. That shift in capital allocation is meaningful, and it is one we watch carefully.

Nobody knows exactly when the music stops. What history does suggest is that concentration at these levels, along with the behaviours that accompany it, has rarely persisted indefinitely. The opportunity set for quality investing is better today than it has been in years, in part because so much attention and capital is focused elsewhere.

We have been here before. We know how it tends to end. We intend to still be standing when it does.

General risks. All investments carry the risk of capital loss. The value of investments, and any income generated from them, can fall as well as rise and will be affected by changes in interest rates, currency fluctuations, general market conditions and other political, social and economic developments, as well as by specific matters relating to the assets in which the investment strategy invests. If any currency differs from the investor's home currency, returns may increase or decrease as a result of currency fluctuations. Past performance is not a reliable indicator of future results. Environmental, social or governance related risk events or factors, if they occur, could cause a negative impact on the value of investments.

Specific risks. Concentrated portfolio: The portfolio invests in a relatively small number of individual holdings. This may result in wider fluctuations in value than more broadly invested portfolios. **Equity investment:** The value of equities (e.g. shares) and equity-related investments may vary according to company profits and future prospects as well as more general market factors. In the event of a company default (e.g. insolvency), the owners of their equity rank last in terms of any financial payment from that company. **Style Bias:** The use of a specific investment style or philosophy can result in particular portfolio characteristics that are different to more broadly-invested portfolios. These differences may mean that, in certain market conditions, the value of the portfolio may decrease while more broadly-invested portfolios might grow.

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