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CAMPBELL CAPITAL MANAGEMENT
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October 6, 2025

Dear Money Management Client,

Another strong quarter, despite the headlines. The job market continues to cool, and inflation concerns linger. Yet the Federal Reserve's interest rate easing cycle has kept investors optimistic that liquidity will remain abundant. Tech stocks have been the standout performers, "the gift that keeps on giving."

One of the biggest questions investors are now facing: *Is Artificial Intelligence (AI) in a bubble?* Bubbles have been part of capitalism throughout history. There was the South Sea bubble in the 1720s, the railroad bubble in the 1840s, and the dot-com bubble in the late 90s. Greed and folly were fueled by a price and investment escalation, as unrealistic earnings power captivated imaginations. Each ended in dramatic 50% drawdowns.

Before you start to worry, let me assure you: we're not there yet. Infrastructure spending by hyperscalers for their data centers has plenty of room to run. AI has an insatiable demand for computing power to train its models. Every day, we hear about new projects and alliances that take years to complete. So long as there is a direct correlation between computing power and revenue, the backers will stay at the table and continue to spend. Goldman Sachs sees hyperscaler capex tripling to $1.4 trillion by 2027. Morgan Stanley is expecting $3 trillion in AI infrastructure spending by 2029. AI needs servers, cooling systems, networking gear, concrete-and-steel shells, and tons of power to run it all. The good news is that AI revenue is doubling every year. Andy Jassy, CEO of Amazon, recently said, "As fast as we put the capacity in, it's being consumed."

Ballooning debt ratios have been the Achilles' heel of past bubbles. Again, I have good news. In today's AI boom, the spending is being led by free cash flow Mag giants Microsoft, Amazon, Alphabet, Meta, and Nvidia. They are easily meeting their capex spending plans with cash generated by ongoing business revenues, not borrowed money.

We own four of the Mag five in meaningful size, so our portfolios are well-suited for the ride. Yes, it's a concentrated group, but those companies have acquired over 800 companies in recent years—expanding their reach, resilience, and staying power. Enjoy the ride!

As always, we remain committed to a conservative investment philosophy that emphasizes capital preservation. If you have any questions or would like to discuss your portfolio, please do not hesitate to call.

Very truly yours,

Clay Campbell Kyle Campbell