RIA Advice

The AI Trillion Dollar Question

According to The Wall Street Journal, on an inflation-adjusted basis, technology companies have spent more in the last three years on data centers, chips, and energy than has been spent over the past forty years building out the nation?s interstate system. The massive amount of investments being put to work is stunning. But the Wall Street Journal asks the most critical question: Will they get their money back?

In their article ?*Spending on AI is at epic levels. Will it ever pay off,?* the Wall Street Journal compares today?s AI investments to the late 1990s telecom investments in the fiber optic network. Furthermore, they remind us of some of the leading telecom companies, such as Global Crossing and WorldCom, that went bankrupt due to overinvestment. The internet and connectivity were truly transformational. However, from an investment perspective, they overinvested and could not produce enough revenue to pay their bills. Will AI generate enough revenue and soon enough to justify the massive investments? The article provides a few comments worth sharing:

> *David Cahn, a partner at venture-capital firm Sequoia, estimates that the money invested in AI infrastructure in 2023 and 2024 alone requires consumers and companies to buy roughly $800 billion in AI products over the life of these chips and data centers to produce a good investment return. Analysts believe most AI processors have a useful life of between three and five years.*

> *This week, consultants at Bain & Co. estimated the wave of AI infrastructure spending will require $2 trillion in annual AI revenue by 2030. By comparison, that is more than the combined 2024 revenue of Amazon, Apple, Alphabet, Microsoft, Meta and Nvidia, and more than five times the size of the entire global subscription software market.*

> *Morgan Stanley estimates that last year there was around $45 billion of revenue for AI products. The sector makes money from a combination of subscription fees for chatbots such as ChatGPT and money paid to use these companies? data centers.*

The AI tech giants predictably argue that they will be rewarded generously for their investments. Time will tell if they are right. As we share below, Hedge Fund investor David Einhorn disagrees and fears they are over their skis.

THE SHORT BEAR reposted

Shanu Mathew @ShanuMathew93 · 16h

Hedge fund manager David Einhorn warns AI's trillion-dollar infrastructure spending could destroy vast capital despite tech being transformative. He questions whether all the extreme spending by hyperscalers will deliver returns, saying there's a "reasonable chance of tremendous capital destruction."

David Einhorn Sounds Warning on the AI Spending Splurge (2)

Summary by Bloomberg AI

- Hedge fund manager David Einhorn cautioned that the unprecedented amount of spending on artificial intelligence infrastructure may destroy vast amounts of capital.
- Einhorn said the numbers being thrown around are "so extreme" and questioned whether spending will deliver good outcomes for the firms making those investments.
- He drew a sharp line between the long-term importance of AI and the immediate economics of funding it, saying many projects will be built but investors may not see the payoffs they anticipate.

By Emily Graffeo
09/25/2025 21:11:19 [BN]

(Bloomberg) -- Hedge fund manager David Einhorn cautioned that the unprecedented amount of spending on artificial intelligence infrastructure may destroy vast amounts of capital, even if the technology itself proves transformative.

What To Watch Today

Earnings

- *No earnings releases today.*

Economy

Friday October 10 2025			Actual	Previous	Consensus	Forecast
08:45 AM	US	Fed Goolsbee Speech				
09:00 AM	US	Michigan Consumer Sentiment Prel OCT		55.1	54.2	54
09:00 AM	US	Michigan 5 Year Inflation Expectations Prel OCT		3.7%		3.6%
09:00 AM	US	Michigan Consumer Expectations Prel OCT		51.7	51.7	51
09:00 AM	US	Michigan Current Conditions Prel OCT		60.4	60	59
09:00 AM	US	Michigan Inflation Expectations Prel OCT		4.7%		4.5%
12:00 PM	US	Fed Musalem Speech				

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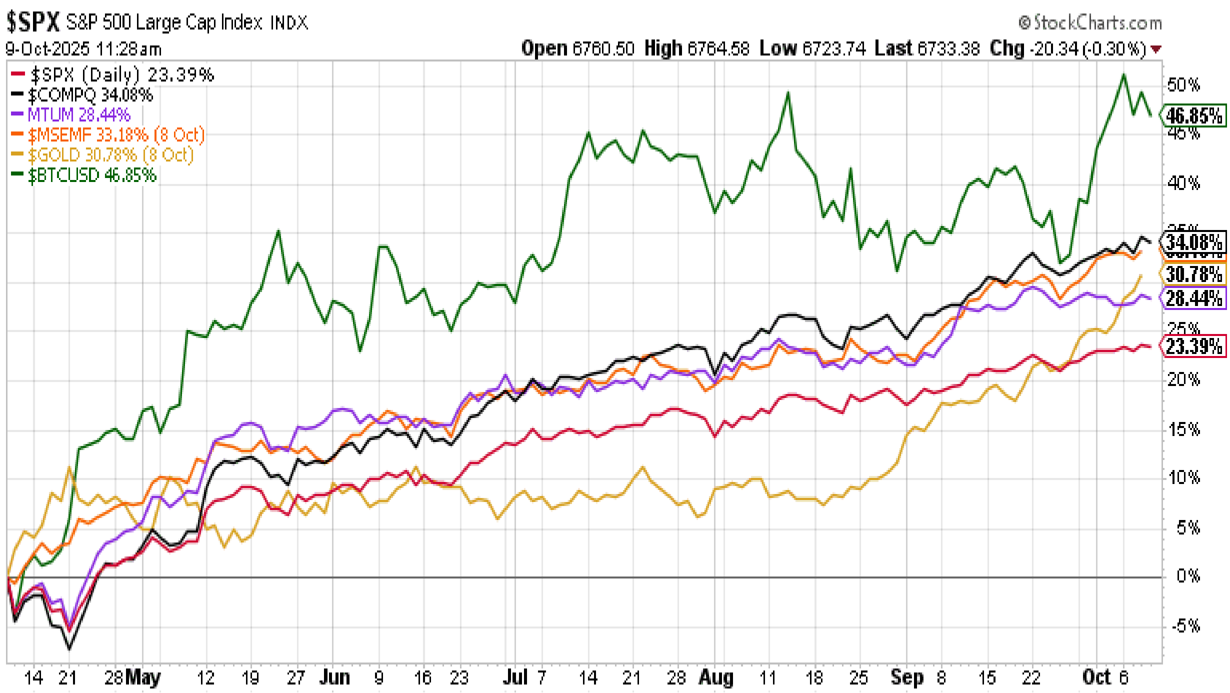
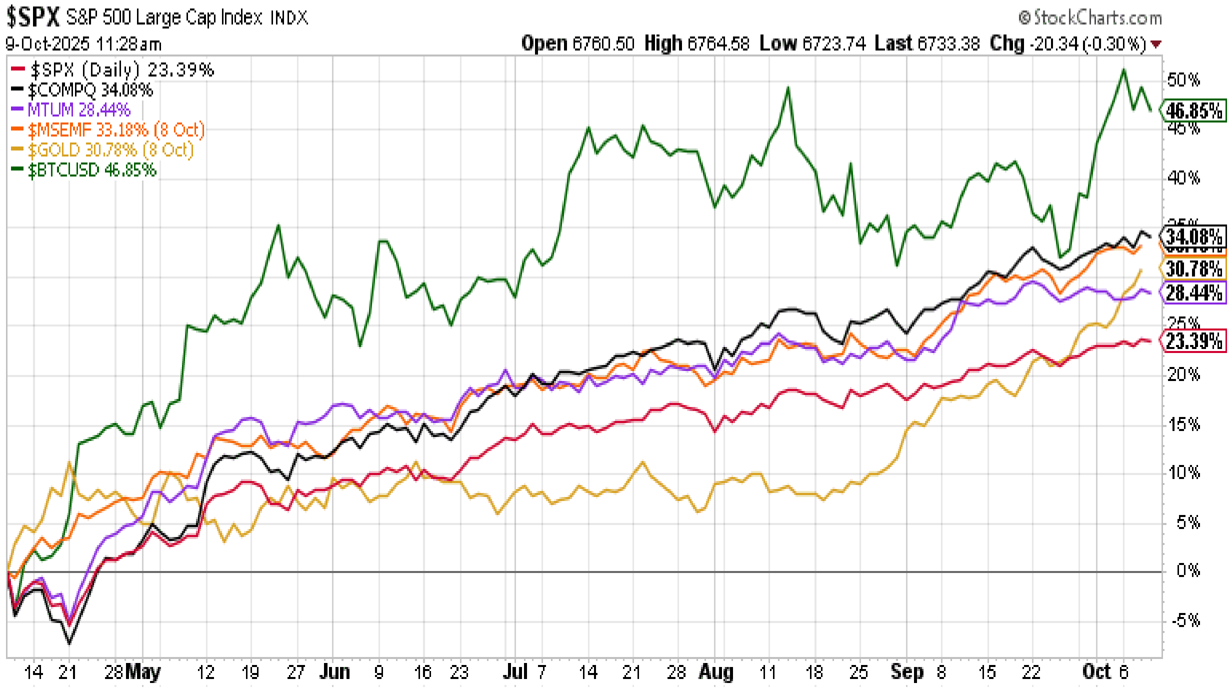
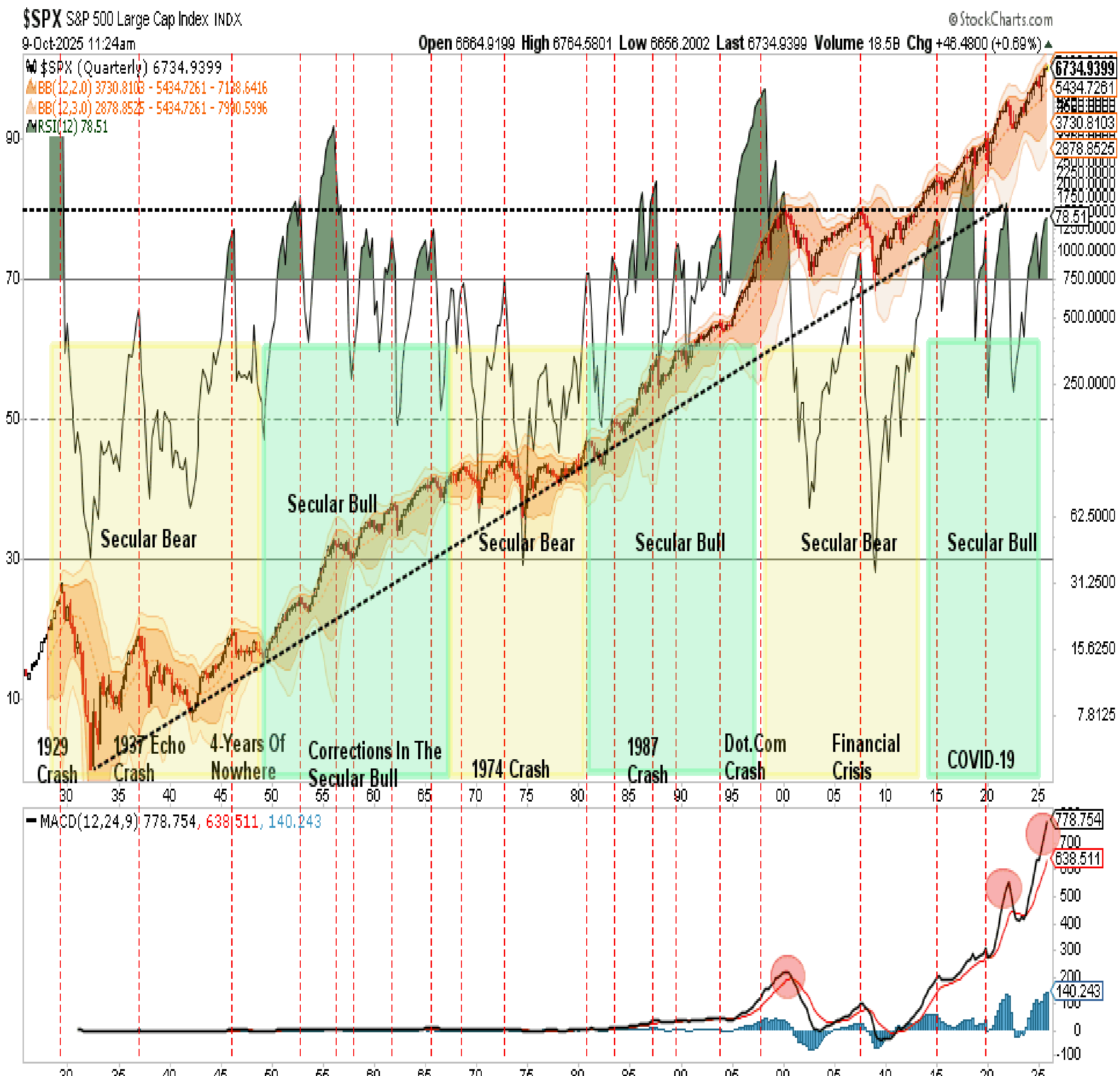
Market Trading Update

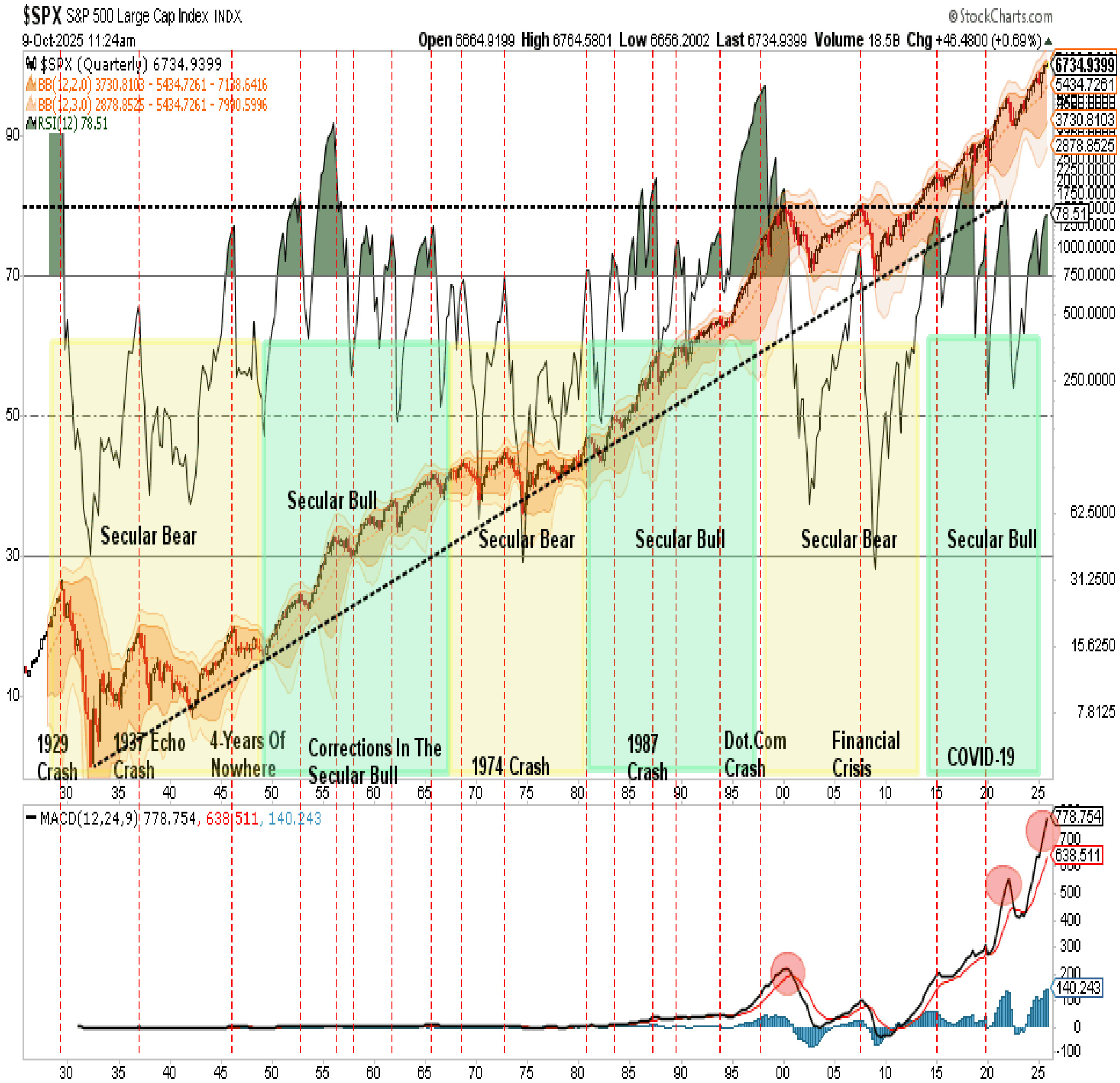
Yesterday, we discussed how retail investors are *?all in?* on the speculative market advance. Every dip is rapidly bought, and options trading is surging to historic records. However, this DOES NOT mean that the market will *?mean revert?* tomorrow and that you should be selling assets and moving into cash. During bullish market momentum surges, that would be a mistake, as the advance can last much longer than you believe possible. Notably, the speculation has spread from stocks to gold, emerging markets, momentum, and bitcoin, which are seeing record inflows.





While the speculative chase is on, and should be respected, the market, as shown below, is extremely overbought and deviated from its long-term means. Historically, such extreme deviations preceded more significant market downturns, which is only logical. However, the timing of that next downturn is challenging to predict. Such is why, as investors, we must remain invested while markets are rising, but pay close attention to the risk we are taking. **Getting out too early can be as costly as staying in for too long.**





The current risk to the market is that investors are chasing the least profitable, lowest-quality companies in many cases. In other areas, they chase assets with no fundamentals, bidding the price higher and creating rationalizations to justify those investments. In both cases, the eventual outcomes are historically poor.

While we are not bearish on the market currently, the risk is building that a correction will occur. Unfortunately, given the high levels of complacency and offside positioning, the selloff could be sharper than many expect. Furthermore, given the high levels of investor sentiment, a downturn of 10% will ?feel? much worse than it actually is. It is in these environments where investors make the most mistakes.

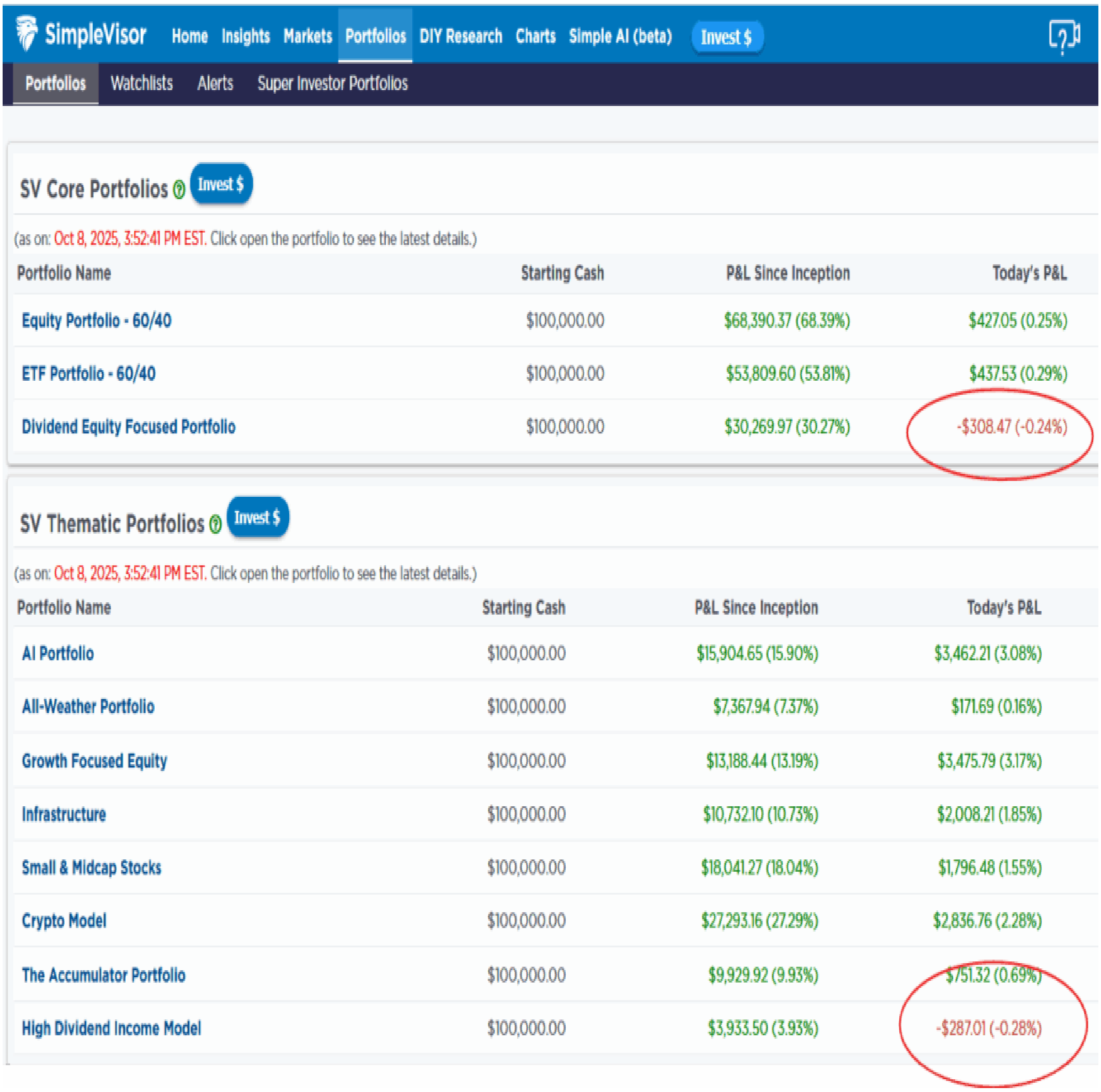
Control your risk and ride the *?bull? for now.* Listen for the ?*8-second?* bell and don?t overstay your welcome.

Dividend Stocks Are Out Of Favor

One of the market themes occurring with increasing regularity is the daily underperformance of safer, more conservative stock factors and sectors. To help us understand which stock sectors and factors are performing or not on any given day, SimpleVisor?s Core and Thematic portfolios can provide some insights. For example, on Wednesday, when the S&P 500 rose by .58%, five of the eleven S&P sectors were lower, and the large-cap value ETF VTV was flat on the day. Moreover, a glance at the SimpleVisor dividend models, shown below in the first graphic, highlights that investors shunned dividend stocks on Wednesday. &#2013266080;

The second graphic looks at the holdings of the Dividend Equity Focused portfolio. The portfolio is comprised of higher dividend, more conservative stocks. Further, it includes some of the top S&P 500 holdings to help it better track the broader market. As it shows, the large majority of the dividend stocks were red, while most of the top S&P holdings were up on the day.

For a longer-term confirmation of the trends we noted from Wednesday, check out the Risk-Range Report in the third graphic. The Staples, Real Estate, Healthcare, and Energy sectors, which include many companies with larger-than-average dividends, have underperformed the S&P 500 by over 20% over the last 52 weeks.



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SV Core Portfolios Invest $

(as on: Oct 8, 2025, 3:52:41 PM EST. Click open the portfolio to see the latest details.)

Portfolio Name	Starting Cash	P&L Since Inception	Today's P&L
Equity Portfolio - 60/40	$100,000.00	$68,390.37 (68.39%)	$427.05 (0.25%)
ETF Portfolio - 60/40	$100,000.00	$53,809.60 (53.81%)	$437.53 (0.29%)
Dividend Equity Focused Portfolio	$100,000.00	$30,269.97 (30.27%)	-$308.47 (-0.24%)

SV Thematic Portfolios Invest $

(as on: Oct 8, 2025, 3:52:41 PM EST. Click open the portfolio to see the latest details.)

Portfolio Name	Starting Cash	P&L Since Inception	Today's P&L
AI Portfolio	$100,000.00	$15,904.65 (15.90%)	$3,462.21 (3.08%)
All-Weather Portfolio	$100,000.00	$7,367.94 (7.37%)	$171.69 (0.16%)
Growth Focused Equity	$100,000.00	$13,188.44 (13.19%)	$3,475.79 (3.17%)
Infrastructure	$100,000.00	$10,732.10 (10.73%)	$2,008.21 (1.85%)
Small & Midcap Stocks	$100,000.00	$18,041.27 (18.04%)	$1,796.48 (1.55%)
Crypto Model	$100,000.00	$27,293.16 (27.29%)	$2,836.76 (2.28%)
The Accumulator Portfolio	$100,000.00	$9,929.92 (9.93%)	$751.32 (0.69%)
High Dividend Income Model	$100,000.00	$3,933.50 (3.93%)	-$287.01 (-0.28%)

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SV Core Portfolios Invest $

Portfolio Name	Market Value
Equity Portfolio - 60/40	$168,366.56
ETF Portfolio - 60/40	$153,788.87
Dividend Equity Focused Portfolio	$130,237.71

SV Thematic Portfolios Invest $

Portfolio Name	Market Value
AI Portfolio	$115,897.10
All-Weather Portfolio	$107,338.56
Growth Focused Equity	$113,210.12
Infrastructure	$110,682.51
Small & Midcap Stocks	$117,920.02
Crypto Model	$127,169.39
The Accumulator Portfolio	$109,915.40
High Dividend Income Model	$103,888.25

My Portfolio

+ New

Dividend Equity Focused Portfolio

Summary | Holdings | Transactions | Research | Performance | Analysis

Symbol	Name	Type	# Shrs	Avg Cost	% Acc	Price	Change
TFC	Truist Financial Corporation	Long	95	$42.63	3.22%	$44.15	-$1.05 (-2.33%)
KMB	Kimberly-Clark Corp.	Long	36	$125.29	3.31%	$119.67	-$2.66 (-2.17%)
MO	Altria Group, Inc.	Long	67	$55.32	3.36%	$65.32	-$1.33 (-2.00%)
IBM	International Business Machines Corporation	Long	15	$226.39	3.33%	$288.96	-$4.91 (-1.67%)
GS	Goldman Sachs Group Inc.	Long	5	$461.69	2.98%	$777.35	-$12.30 (-1.56%)
JPM	JPMorgan Chase & Co.	Long	14	$232.12	3.27%	$304.17	-$3.52 (-1.15%)
O	Realty Income Corporation	Long	73	$56.80	3.31%	$58.97	-$0.66 (-1.12%)
KO	Coca-Cola Company	Long	67	$63.70	3.40%	$66.11	-$0.68 (-1.02%)
SPG	Simon Property Group, Inc.	Long	24	$157.38	3.27%	$177.59	-$1.33 (-0.74%)
GOOG	Alphabet Inc. Class C Capital Stock	Long	24	$156.81	4.53%	$245.59	-$1.54 (-0.62%)
UGI	UGI Corporation	Long	93	$36.21	2.29%	$32.13	-$0.16 (-0.50%)
AMGN	Amgen Inc	Long	16	$276.19	3.62%	$294.37	-$1.17 (-0.40%)
AMLP	Alerian MLP ETF	Long	92	$46.23	3.27%	$46.33	-$0.14 (-0.31%)
VZ	Verizon Communications	Long	101	$41.65	3.20%	$41.31	-$0.09 (-0.23%)
AEP	American Electric Power Company, Inc.	Long	40	$94.28	3.62%	$117.92	-$0.24 (-0.20%)
DUK	Duke Energy Corporation	Long	36	$109.08	3.47%	$125.36	-$0.20 (-0.16%)
ABBV	ABBVIE INC.	Long	20	$173.49	3.57%	$232.47	-$0.36 (-0.15%)
XOM	Exxon Mobil Corporation	Long	37	$107.75	3.24%	$114.15	-$0.12 (-0.10%)

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My Portfolio

+ New

Portfolio Name	Market Value
Micro 60/40	$130,713.48
S&P 500 Top 10	$1,225,124.97
RIA Top 10	$1,136,468.67

Dividend Equity Focused Portfolio

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MSFT	Microsoft Corp	Long	11	$410.70	4.43%	$525.00	$1.01 (0.19%)
MMM	3M Company	Long	29	$115.29	3.47%	$155.83	$0.50 (0.32%)
KMI	Kinder Morgan, Inc.	Long	155	$27.27	3.35%	$28.17	$0.15 (0.55%)
META	Meta Platforms, Inc. Class A Common Stock	Long	8	$439.64	4.41%	$717.91	$4.83 (0.68%)
AAPL	Apple Inc.	Long	23	$186.40	4.56%	$258.38	$1.90 (0.74%)
NLY	Annaly Capital Management, Inc.	Long	125	$19.77	2.00%	$20.87	$0.27 (1.32%)
AMZN	Amazon.Com Inc	Long	27	$184.90	4.68%	$225.56	$3.78 (1.70%)
NVDA	Nvidia Corp	Long	33	$85.21	4.77%	$188.40	$3.36 (1.82%)

Showing 1 to 26 of 26 entries « ‹ 1 › » 50

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Performance Analysis Factor Analysis Risk Range Credit Spreads Screener Stock Sun

Risk Range Report

Sector			Relative Performance to S&P 500 Index					
Symbol	Name	Top 10 Holdings	Last Price	1 Week	4 Week	12 Week	24 Week	52 Week
IVV	iShares - S&P500		676.04	0.54%	2.32%	7.19%	22.21%	16.09%
Market Sectors								
XLB	Materials		90.09	-0.28%	-4.05%	-7.34%	-13.17%	-22.14%
XLC	Communication Services		115.48	-1.32%	-3.91%	1.55%	0.17%	11.61%
XLE	Energy		88.98	-0.46%	-1.89%	-3.68%	-14.21%	-20.21%
XLF	Financial		53.75	-0.48%	-2.41%	-4.89%	-10.28%	-0.52%
XLI	Industrials		155.57	0.21%	0.31%	-4.48%	-1.62%	-3.70%

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Performance Analysis | Factor Analysis | Risk Range | Credit Spreads | Screener | Stock Sun

Risk Range Report

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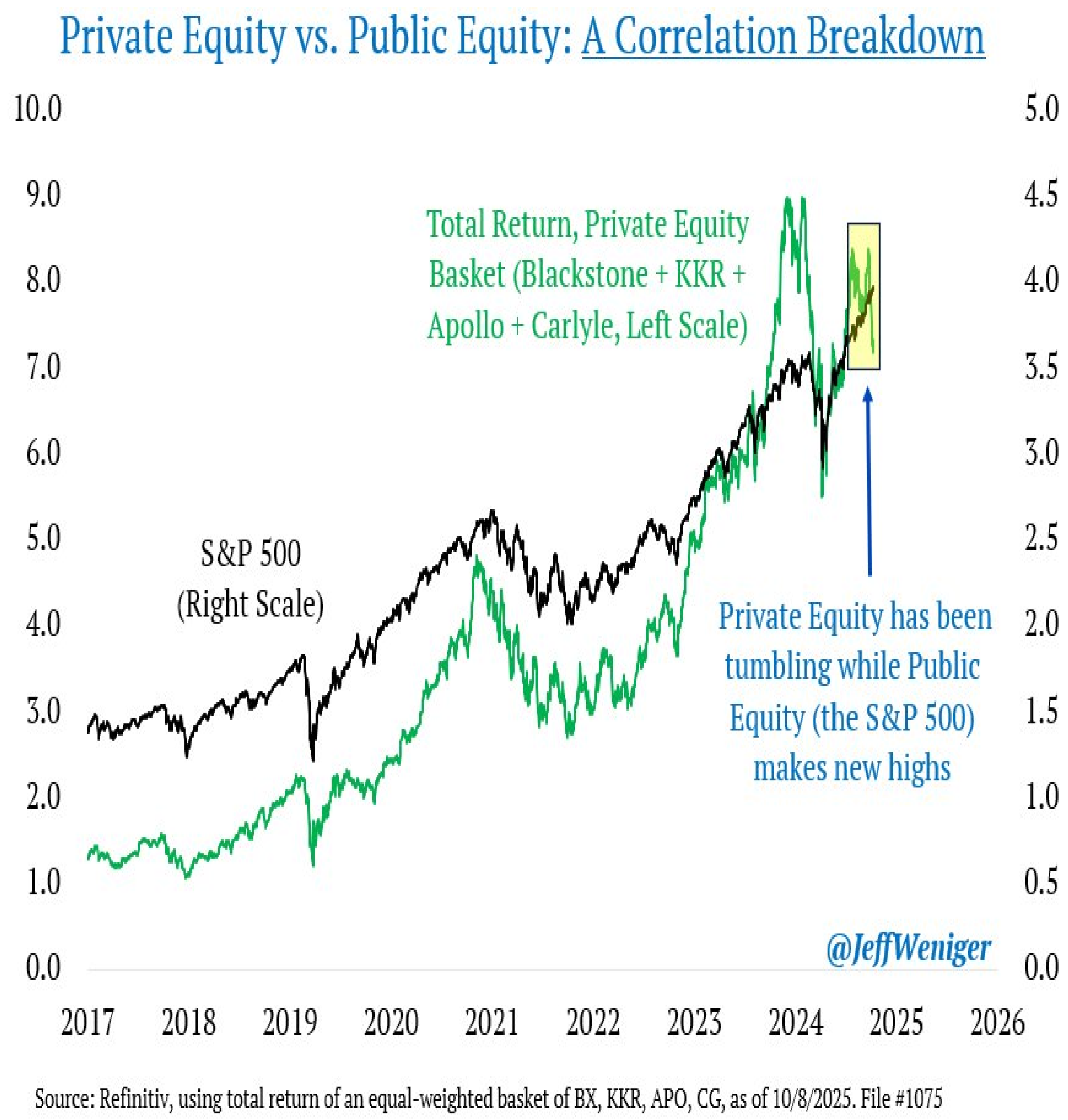
XLE	Energy		88.98	-0.46%	-1.89%	-3.68%	-14.21%	-20.21%
XLF	Financial		53.75	-0.48%	-2.41%	-4.89%	-10.28%	-0.52%
XLI	Industrials		155.57	0.21%	0.31%	-4.48%	-1.62%	-3.70%
XLK	Technology		289.54	1.15%	4.57%	3.79%	16.68%	9.36%
XLP	Consumer Staples		77.81	-0.82%	-5.44%	-11.00%	-25.96%	-20.78%
XLRE	Real Estate		41.40	-2.15%	-4.56%	-8.25%	-20.06%	-20.76%
XLU	Utilities		90.76	1.54%	3.83%	1.18%	-6.16%	-1.56%
XLV	Health Care		144.79	-0.56%	2.52%	2.63%	-17.33%	-22.00%
XLY	Consumer Discretionary		236.51	-1.11%	-3.21%	-0.74%	-2.52%	4.22%
XTN	Transportation		85.91	0.48%	-1.63%	-6.30%	3.14%	-13.33%

Is Private Equity Sending A Warning To The Public Equity Markets?

Alongside the rising interest in speculative assets, like some equities, cryptocurrencies, and precious metals, there has been a sharp increase in dollars chasing private equity investments. The graph below, courtesy of Jeff Weniger, shows that the stocks of the largest private equity companies have benefited from the increase in interest since 2023. However, as he shows, over the last few weeks, Blackstone, KKR, Apollo, and Carlyle have shown weakness. At the same time, the S&P 500 just hit another record high. It?s also worth noting that the index of the four private equity stocks rallied after the April tariff drawdown, but did not reach the prior high. We should be careful reading too much into the graph, but we would certainly follow the companies for clues they may provide about the chase for speculative assets.



Tweet of the Day

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Should we sell off more seriously, mechanical deleveraging could be huge. The chart shows index and vol control #rebalancing projections.

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?Want to achieve better long-term success in managing your portfolio? Here are our [15-trading rules for managing market risks.?](#)

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