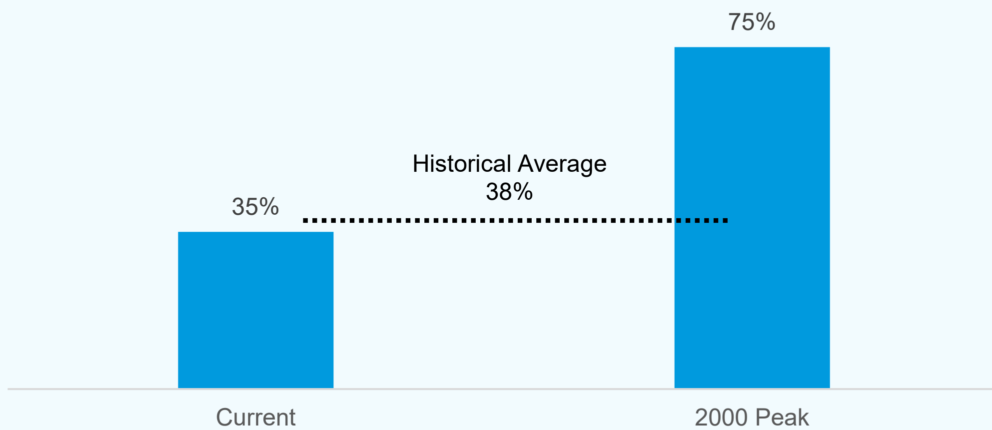
The Opportunity in Skepticism

The rise of artificial intelligence has drawn frequent comparisons to the early days of the internet—and the rally that followed. What's notably absent so far is widespread exuberance.

% of AAII Members Feeling Bullish



Source: Investor sentiment from the American Association of Individual Investors Survey (AAII) as of 2/18/2026. The historical average ranges from 7/24/1987 through 2/18/2026. 2000 peak was on 1/6/2000.

- It is often said that bull markets end in euphoria. When enthusiasm reaches extremes, expectations become fully embedded in asset prices, limiting upside while amplifying downside risk. That dynamic defined the late 1990s/early 2000s internet bubble, as confidence in internet adoption drove excess capital deployment and unrealistic growth assumptions. Elevated optimism alongside aggressive valuations ultimately set the stage for a sharp market reversal.
- Today's backdrop suggests more conservative expectations. Data from the American Association of Individual Investors show bullish sentiment at 35%, slightly below its historical average of 38%—compared with roughly 75% at the peak of the internet bubble. Valuations also reflect a more restrained outlook, with leading AI companies such as Nvidia trading below 25x price-to-earnings multiple, versus Cisco's multiple above 125x in 2000, suggesting that anticipated growth is being capitalized far less aggressively than during the prior cycle.
- In our view, artificial intelligence represents a massive investment cycle that could play out over many years to come. The restraint evident across equity markets reinforces our belief that beneficiaries of this shift, such as those companies supplying processing power, memory, and connectivity, may offer compelling long-term opportunities.

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