WEEKLY MARKET & STRATEGY UPDATE Week Ended July 31, 2026

John Edwards, CFA, Portfolio Manager, Infrastructure PLUS Strategy

Dear Valued Clients,

I hope this update finds you well. Here's our recap of market action for the week ended July 31, 2026, along with thoughts on our strategy positioning and the outlook ahead.

MARKET RECAP

U.S. equity markets finished a highly volatile week higher after a late-week rebound driven by strong hyperscaler results. The Nasdaq and S&P 500 both posted solid weekly gains following sharp mid-week pressure tied to the Federal Reserve decision and forced selling in AI infrastructure names.

Index	Weekly Change	Key Notes
S&P 500	+1.09%	Closed ~7,490; roughly flat for July; YTD ~+9.4%
Nasdaq Composite	+1.6%	Closed ~25,374; down ~3.2% for July; YTD ~+9.2%
Dow Jones Industrial Average	+1.0%	Closed ~52,485; modestly higher for July; YTD ~+9.2%

Sector Snapshot:

- AI infrastructure and semiconductor names experienced extreme volatility earlier in the week before rebounding sharply (especially Thursday) carried by Microsoft (+21.75% w/w gain, the largest gain in over 25 years) and Amazon (+17.0% w/w gain was the strongest in 6 years).
- Amazon surged on accelerating AWS growth (+37% revenue growth vs +31% expected); Microsoft also posted very strong gains in its Azure cloud business (+43% rise in revenue) lending support for strong returns on AI investments.
- Supply-chain and power-related names and others that reported solid results and raised guidance participated in the recovery (more details below).
- Longer-term Treasury yields remained elevated after the Fed decision, with the 10-year near multi-month highs (4.74%).
- Energy continued to reflect geopolitical risk premium related to the ongoing U.S.–Iran conflict.

Technical Context: Friday marked day 2 of a new advance on both the Nasdaq and S&P 500. In the framework we use, we will be watching closely for a follow-through day—ideally between day 4 and day 7—as confirmation that institutional demand is returning in size. The primary uptrend in the AI infrastructure theme remains intact on intermediate- and longer-term timeframes.

OUR STRATEGY & POSITIONING

Our focused Infrastructure PLUS strategy—emphasize high-quality growth companies across AI semiconductors, high-speed interconnects, optics/photonics, datacenter, infrastructure, electric power plays and E&C firms.

The severity, speed, and correlation of declines in many AI infrastructure names earlier in the month, even as the majority of underlying companies continued to report strong demand, results, and raise guidance, pointed clearly to mechanical and predatory dynamics rather than a pure fundamental reassessment.

Situational Awareness LP (founded by former OpenAI researcher Leopold Aschenbrenner) had grown into a large, highly concentrated, and leveraged vehicle (peak assets reported in the $40–45 billion range, leveraged as high as ~4x). Its strategy was long the "picks-and-shovels" of the AI and AI infrastructure buildout, in many ways similar to our own strategy. Once initial mark-to-market pressure appeared in July, other hedge funds shorted the overlapping names with increasing aggression, correctly anticipating that margin calls would force Situational Awareness to liquidate a substantial portion of its book. That forced selling then validated and amplified the shorts, creating a self-reinforcing cascade. Aschenbrenner later acknowledged in his investor letter that short sellers had targeted the firm's positions and compared the experience to a bank run. The fund ultimately sold the bulk of its public equity portfolio to Citadel in a discounted block transaction, removed leverage, and continued with its private holdings (including a sizable Anthropic stake). The clearing of this concentrated overhang, combined with strong Microsoft and Amazon results, helped fuel the late-week rebound.

Key positives supporting our long-term thesis this week:

There is no evidence of a slowdown in the AI infrastructure cycle. Hyperscaler capital expenditure guidance remains elevated (collectively in the $750–800 billion range for 2026). Looking at pre-depreciation profitability, trends remain constructive at the core cloud providers:

Company	2026 Capex Guidance (approx.)	Revenue Growth	Operating Income Growth	Key Monetization Notes
Microsoft	~$175B	+18%	+18%	~30% ROIC on AI investments; Azure ~43% and still accelerating
Amazon	~$220B	+20%	+43%	AWS +37% (fastest in 18 quarters); servers/networking pay back <3 years
Alphabet	~$195–205B	+24%	+30%	Google Cloud ~82%; margins expanded; large and growing backlog

Company	2026 Capex Guidance (approx.)	Revenue Growth	Operating Income Growth	Key Monetization Notes
Oracle	$55.7B (FY26); higher in FY27	+21% (Q4)	+20% / +22% non-GAAP	Cloud Infrastructure +93%; RPO $638B (+363%); high utilization
Meta	$130–145B	+28%	–8% (or +9% ex-items)	Primarily internal/ad-driven; exploring external capacity leasing

This strength is reinforced by strong results and guidance from companies further down the value chain:

- **Quanta Services (PWR)**: Adjusted EPS of $4.24, +78% y/y, beat estimates by ~29%; revenue of $9.56 billion beat by ~12%. Significantly raised full-year 2026 guidance and reported a record backlog of $53.4 billion.
- **Teradyne (TER)**: Non-GAAP EPS of $2.47, +333% y/y, beat by ~20%; revenue of $1.33 billion rose 104% year-over-year. Third-quarter guidance well above consensus, driven by record memory-test demand tied to AI.
- **Amphenol (APH)**: Adjusted EPS of $1.35, +67% y/y, beat by ~15%; revenue of $8.76 billion rose 55% year-over-year. Record orders of $10.7 billion produced a book-to-bill of 1.23.
- **Bloom Energy (BE)**: Record revenue of $1.065 billion rose 166% year-over-year, EPS rose +680% y/y and beat by +92%. Raised full-year 2026 revenue guidance to $3.9–$4.2 billion.

Collectively these reports are examples and out of the reports we follow (only one out of over 20 reports clearly missed) demonstrate that demand for the physical layers of the AI buildout remains robust. Rising usage, successive model improvements, broadening customer deployment (evidenced by very large multi-year backlogs), and gains in engineering productivity continue to support demand. Longer-term applications expected to drive sustained compute consumption include Full Self-Driving and autonomous systems, scientific R&D (especially drug discovery), software engineering, administrative/legal/accounting work, industrial and humanoid robotics, persistent AI agents, and consumer-level robot assistants.

McKinsey has estimated generative AI could add $2.6–4.4 trillion annually across major use cases; Goldman Sachs has projected a roughly 7% lift to global GDP (on the order of $7 trillion) over a decade under widespread adoption; EY estimates GenAI-related effects could lift global GDP by $1.7–3.4 trillion by the early 2030s. These remain potential figures under broader adoption rather than current run-rates.

Other events last week:

Federal Reserve: The FOMC held the federal funds rate at 3.50–3.75% by a 9–3 vote (three members preferred a 25 bp hike). Limited forward guidance and a firm commitment to returning inflation to 2% contributed to elevated longer-term yields mid-week.

U.S.–Iran Conflict: The conflict remains active and has recently re-escalated. After a brief pause, the U.S. launched additional strikes against Iranian military targets in response to Iranian attacks on U.S. forces and bases in the region. Oil prices have remained elevated on the risk of broader disruption, particularly around the Strait of Hormuz. The situation continues to inject geopolitical risk premium into energy markets and overall risk sentiment, though it has not derailed the underlying AI infrastructure demand signals coming through in corporate results.

OUTLOOK FOR NEXT WEEK & BEYOND

Upcoming AI Infrastructure / Power & Industrial Earnings (Week of August 2–6)
Advanced Micro Devices (AMD), Sandisk (SNDK), SpaceX (SPCX) are key.

August 3 Sterling Infrastructure (STRL), BWX Technologies (BWXT), ON Semiconductor (ON), OneOK (OKE), Williams (WMB)

August 4 Advanced Micro Devices (AMD), NRG Energy (NRG), Duke Energy (DUK), Caterpillar (CAT), Cummins (CMI), Arista Networks (ANET), Energy Transfer (ET), NRG, Primoris (PRIM), Space Ex (SPCX)

August 5 Global Foundries (GFS), Constellation Energy (CEG), Southwest Gas (SWX), Sandisk (SNDK)

August 6 CECO Environmental (CECO), Applied Opto Electronics (AAOI)

These prints should provide useful read-throughs on data-center construction, power generation and demand, electrical infrastructure, semiconductor demand, and industrial activity supporting the AI buildout. Capex commentary, backlog trends, and any updates on grid or data-center related demand will be the primary focus.

Our view remains unchanged: Near-term volatility and rotation are inherent to a multi-year secular theme of this magnitude. The combination of elevated hyperscaler capex guidance, accelerating cloud growth at the leaders, and continued strength (including multiple beat-and-raise reports) from companies supplying the physical infrastructure supports the view that the AI buildout remains firmly intact. Periods of consolidation have historically created attractive opportunities for long-term investors focused on high-quality compounders in the AI infrastructure stack.

Thank you for your continued trust. Please reach out anytime with questions about your portfolio or the markets—I'm always happy to discuss. Wishing you and your families a great week ahead.

Best regards,

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