BALANCING GROWTH AND CAUTION: IS THE U.S. IN AN AI-DRIVEN BUBBLE - AND WHAT IT MEANS FOR YOUR PORTFOLIO

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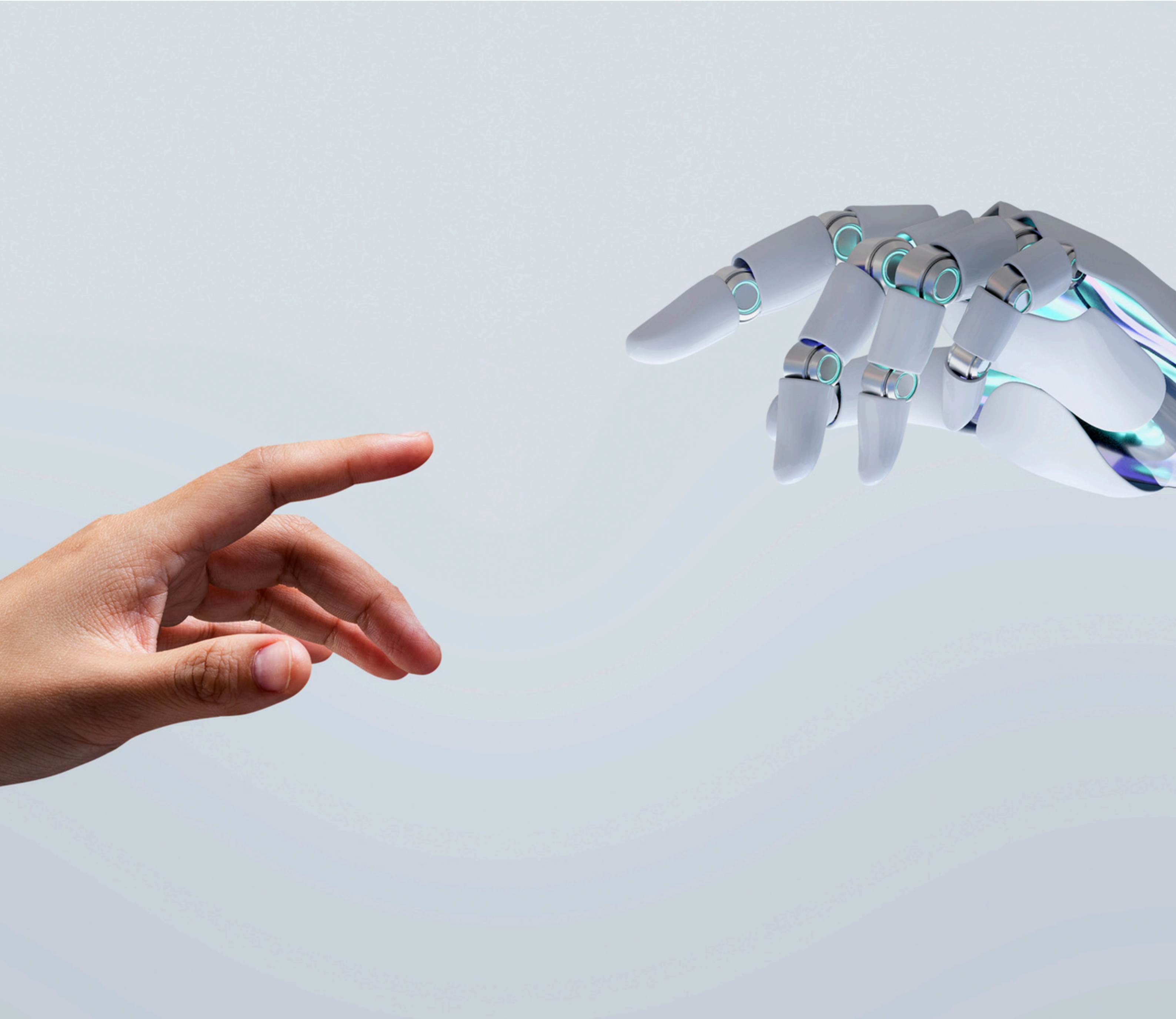

4 POINT FINANCIAL

Artificial intelligence has dominated headlines - and stock performance - throughout 2025. From chipmakers to software developers, AI is being credited for driving much of the S&P 500’s growth. Some analysts are calling it a genuine technological revolution; others see warning signs of a market bubble. For investors, the truth likely lies somewhere in between. The question isn’t whether AI is real - it’s how to invest in it responsibly.

At 4-Point Financial, we believe investors can participate in innovation without exposing their portfolios to unnecessary risk. Here’s how we’re thinking about the current AI landscape - and how to strike the right balance between growth and caution.

WHAT’S DRIVING THE AI BOOM

AI isn’t just hype. It’s transforming business models, increasing efficiency, and opening new revenue streams. Corporate investment in AI infrastructure - from cloud services and data centers to semiconductors - has surged to record levels. Analysts expect AI-related spending to exceed $200 billion by 2026.

However, this influx of capital has created a highly concentrated market. A handful of mega-cap technology firms now make up a significant share of total stock market gains. When investor enthusiasm clusters around a few companies, the risk of volatility grows - especially if earnings or regulation fail to keep pace with lofty expectations.

RECOGNISING THE WARNING SIGNS

Every investment cycle has its excitement phase. The dot-com boom of the late 1990s and the clean-tech rush of the 2010s both showed how innovation can drive valuations beyond fundamentals. The AI story shares some similarities.

Here are a few caution lights we're watching:

- **Stretch valuations:** Many AI-exposed companies trade at extremely high forward price-to-earnings ratios. This implies near-perfect execution over the next decade - an ambitious assumption.
- **Concentration risk:** The top five technology names now represent over a quarter of the S&P 500. A correction in just one of them could ripple across the broader market.
- **Speculative spending:** Companies are racing to integrate AI into their operations, often using debt financing. If adoption slows or profits disappoint, those debts could weigh heavily.
- **Regulatory uncertainty:** Washington is still defining rules around data use, intellectual property, and AI ethics - all of which could affect valuations.

HOW TO INVEST SMARTLY IN THE AI ERA

AI is reshaping industries, but disciplined investing principles still apply. Here are some strategies we recommend to our clients:

- **Diversify your exposure.** Instead of chasing a few high-flying tech stocks, consider diversified funds that include AI along with other sectors.
- **Focus on fundamentals.** Look for companies with strong cash flow, low debt, and a clear path to monetising their AI capabilities.
- **Keep AI as a satellite allocation.** Limit thematic positions to a modest percentage of your overall portfolio - enough to capture growth potential without outsized risk.
- **Use rebalancing to manage risk**. When an AI holding appreciates rapidly, trim profits and redistribute into underweighted areas.

Stay long-term oriented. Short-term swings will happen, but innovation tends to reward patient investors who stick with a balanced plan.

WHY GUIDANCE MATTERS NOW MORE THAN EVER

Periods of rapid innovation can tempt investors to follow trends rather than strategy. But that’s where professional guidance makes a difference. At 4-Point Financial, we help our clients evaluate emerging opportunities - including AI - through the lens of long-term goals, time horizons, and personal risk tolerance.

Technology will continue to shape our world and the markets. Whether we’re in a bubble or a boom, the key is to stay grounded in fundamentals and disciplined in execution. Smart investors don’t try to time hype cycles - they position themselves to thrive beyond them.

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