



THE AI GOLD RUSH

Picks, Shovels & Disruption

How the AI Infrastructure Boom Is Reshaping Markets and Why Disciplined Portfolios Matter More Than Ever

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The New Gold Rush

In every great technological revolution, the earliest and most reliable fortunes are made not by the prospectors, but by those selling the picks and shovels. The California Gold Rush of 1849 made Levi Strauss and Samuel Brannan wealthy. Not because they found gold, but because they supplied the tools. Today's artificial intelligence boom is following the same playbook, and the implications for investors are profound.

Since 2023, the AI trade has been dominated by hardware infrastructure companies. NVIDIA (NVDA) saw its data center revenue surge over 140% in fiscal 2025, briefly pushing its market cap past \$4 trillion. Broadcom (AVGO) has become the essential partner for custom AI chips, with AI revenue up 63% year-over-year. But by late 2025, the bottleneck shifted from processing power to *memory and storage*, and the returns shifted with it. Comfort Systems USA (FIX), the HVAC and mechanical contractor that has become a go-to provider for data center cooling, surged 132% in 2025 and is up another 43% year-to-date in 2026, with a record backlog of \$9.4 billion. Cummins (CMI), whose Power Systems segment now provides critical backup power generation for data centers, achieved record sales and profitability in that division, transforming from a purely cyclical engine supplier into a structural AI power infrastructure play.

Beyond semiconductors, an entire ecosystem of “boring” industrial companies has been swept into the AI infrastructure trade: Vertiv Holdings for cooling systems (reporting 252% order growth), EMCOR and Quanta Services for data center construction, Arista Networks for high-speed connectivity, and utility companies providing the enormous electricity these facilities demand. In 2025, the semiconductor index (SMH) gained roughly 71%, while the software-heavy IGV index managed only 35%.

The Spending Frenzy: \$600 Billion and Counting

Fueling this infrastructure boom is a hyperscaler spending cycle without historical precedent. The Big Five (Amazon, Microsoft, Alphabet, Meta, and Oracle) are projected to spend over \$600 billion on infrastructure in 2026, up 36% from 2025. Approximately 75% targets AI specifically. Goldman Sachs projects total hyperscaler capex from 2025 through 2027 will reach \$1.15 trillion, more than double the prior three-year period.

Hyperscaler	Est. 2026 Capex	% of Op. Cash Flow
Amazon	\$150B+	~88%
Microsoft	\$130B+	~45% of rev.
Alphabet	\$100B+	Rising
Meta	\$80B+	Accelerating
Oracle	\$40B+	57% intensity

Sources: CreditSights, Goldman Sachs, CNBC, Company Guidance

These companies now consume nearly 100% of their operating cash flow on capex, up from a 10-year average of 40%. Morgan Stanley expects hyperscaler borrowing to top \$400 billion in 2026. Yet AI-related services generated only about \$25 billion in revenue in 2025, roughly 10% of what's being spent on infrastructure. The gap between investment and monetization is the defining risk of this cycle.

Sectors Under Pressure

While picks-and-shovels companies benefit regardless of which AI applications succeed, entire sectors are now facing displacement:

- **Software (“SaaSpocalypse”):** Approximately \$2 trillion in market capitalization evaporated from the software sector between mid-January and mid-February 2026. The IGV ETF entered a technical bear market, down over 23% year-to-date. The core threat is not that AI replaces software. Rather, it is that AI reduces the headcount

that uses software, collapsing the per-seat SaaS pricing model. Salesforce and Workday each fell over 40% in twelve months.

- **Freight Brokerage & Trucking:** On February 12, 2026, C.H. Robinson and Landstar suffered double-digit single-day losses after evidence emerged that autonomous AI agents could replace human freight brokers. Autonomous trucking is advancing on Texas highways, and the traditional “human moat” of the brokerage industry appears permanently breached.
- **Online Travel Agencies:** Expedia fell from above \$300 to \$212 in weeks as “AI anxiety” gripped the sector. The existential question: if an AI agent can book an entire trip through a single voice command, what role remains for Expedia, Booking.com, or travel metasearch platforms like Kayak?
- **Data Center Buildout (Double-Edged Sword):** Vertiv, EMCOR, and peers are riding unprecedented demand, but their revenue is entirely dependent on continued hyperscaler spending. If AI ROI disappoints, these companies would be among the first casualties.

The GLR Three Pillars: What They Tell Us Now

At GLR Partners, we evaluate markets through our Three Pillars framework: Economic Cycle, Monetary Policy, and Market Conditions. Together, they help us assess risk, position portfolios, and identify when the environment favors caution or opportunity. Right now, all three pillars are flashing cautionary signals that directly relate to the AI disruption cycle.

Economic Cycle	Monetary Policy	Market Conditions
CAUTIONARY	CAUTIONARY	CAUTIONARY
Labor market softening. Job creation fell from 771K (2024) to 398K (2025). AI-driven displacement is accelerating across sectors.	Fed navigating sticky inflation with rates still restrictive. Hyperscalers borrowing \$400B+ to fund AI, competing with Treasury for capital.	Extreme concentration in mega-cap tech. S&P 500 valuations elevated. \$2T software selloff signals regime shift from growth to value.

When all three pillars are cautionary, history tells us that the environment favors disciplined risk management, diversification away from crowded trades, and a deliberate tilt toward strategies that can perform in volatile, transitional markets. This is precisely the environment we have been positioning for.

How GLR Is Positioning: Alternatives and Value

The GLR Alternative Allocation

At GLR Partners, we have long recognized that traditional 60/40 portfolios are insufficient in the current regime. The correlation between stocks and bonds, once reliably negative, has shifted, leaving portfolios more vulnerable to simultaneous drawdowns. Our proprietary Alternative Allocation combines carefully selected strategies that most advisory firms do not classify as “alternatives”: managed futures for crisis alpha, deep value for mean reversion, and strategic gold exposure as an inflation hedge.

The portfolio has demonstrated its value precisely when it matters most, delivering strong results during periods when traditional diversification failed and stocks and bonds declined together. Our research driven approach combines strategies that are designed to perform differently from one another, providing genuine diversification and a smoother path for clients over full market cycles.

In the current environment, where AI disruption is creating enormous winners and losers, hyperscaler spending raises questions about sustainability, and entire sectors are repricing, this kind of non-correlated return source is not a luxury. It is a necessity.

The Value Tilt: COWZ and the Cash Flow Advantage

Alongside our Alternative Allocation, we have introduced the Pacer US Cash Cows 100 ETF (COWZ) as a tactical equity allocation. COWZ provides rules-based exposure to 100 large- and mid-cap U.S. companies selected for their superior free cash flow generation, trading at a P/E of approximately 14.88x, a meaningful discount to the broader market.

Through the lens of our Three Pillars, the case for COWZ is compelling. With economic growth moderating, companies that generate strong free cash flow are better positioned to weather a slowdown. With rates remaining restrictive, companies less dependent on external financing have an inherent advantage. And with market conditions shifting away from momentum-driven concentration toward broader leadership, COWZ's disciplined value approach is well-positioned to capture that rotation.

COWZ is not about abandoning growth. It is about recognizing that the AI-driven market shift has created historic dispersion between growth and value, and that a disciplined allocation to cash-flow-rich, reasonably valued companies provides both a margin of safety and meaningful diversification within the equity sleeve.

Conclusion

The AI Gold Rush is real, and the disruption across sectors is accelerating. But history reminds us that revolutions create both fortunes and casualties. At GLR Partners, our Three Pillars framework tells us this is a time for measured conviction, not panic and not complacency. Our Alternative Allocation provides the crisis protection and non-correlated returns that traditional portfolios cannot deliver, and our value-oriented strategies like COWZ ensure that our equity exposure favors companies with proven financial strength. The picks and shovels made fortunes in 1849. They can make fortunes today. But knowing when the rush is peaking, and positioning accordingly, is what separates lasting wealth from speculative excess.

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