

Round and Round

What Comes Around Goes Around.

October 19, 2026 • Market data as of the close on October 16, 2026

A note before we begin. Many of our clients own some of the great companies discussed in this paper through our growth portfolio, and we expect to keep owning them. This is not a call to sell AI. It is about where the risk in AI actually sits, and how to own the opportunity without carrying all of that risk.

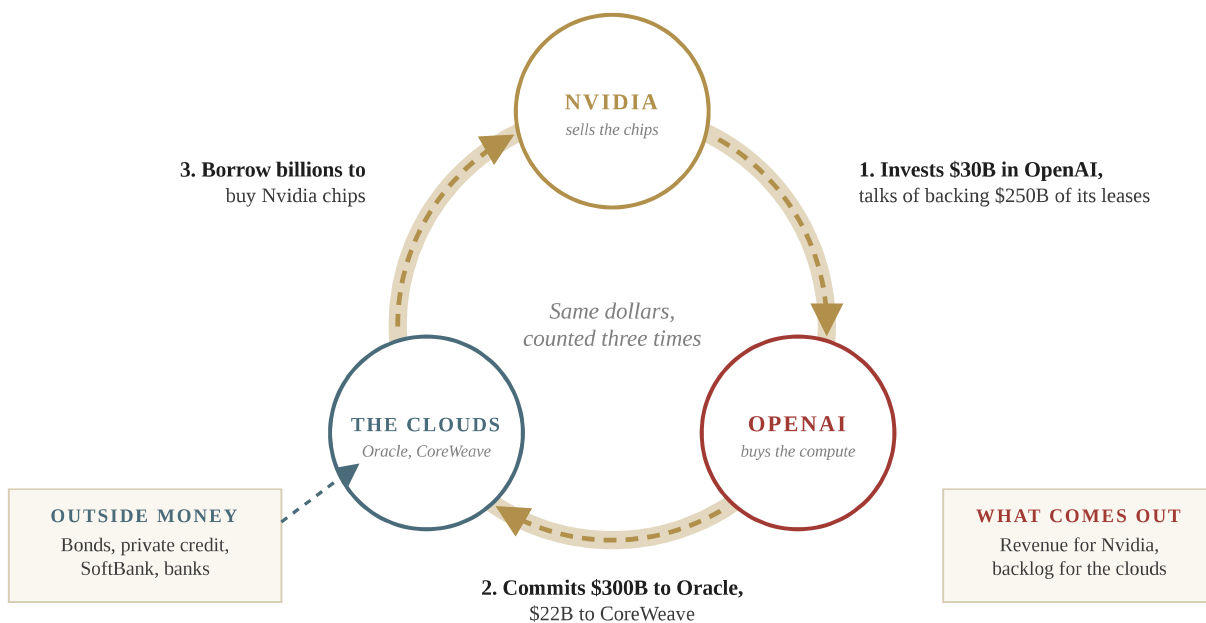
The AI boom has a customer problem that is easy to miss. Many of the companies buying the most AI equipment are being financed by the companies selling it. Nvidia invests in OpenAI. Broadcom lends to Anthropic so it can rent Broadcom-built chips. Each deal shows up as growth for someone, and when we traced the dollars back, many started in the same few places.

We have seen a version of this before. In 1999 telecom equipment makers lent heavily to the carriers buying their gear, and it ended badly for everyone holding the paper. This time it reaches further, into private credit, banks and index funds.

\$600B NVIDIA AID TO OPENAI, UNDER DISCUSSION	\$42B BROADCOM LOAN TO ITS OWN CUSTOMER	\$1.4T SALES PROMISED IN 14 AI DEALS, IMF	\$288 TO INSURE \$10K OF ORACLE DEBT, RECORD	49% SHARE OF S&P 500 TIED TO AI
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How the Loop Works

The simplest version: three companies, one pool of dollars, three sets of reported growth



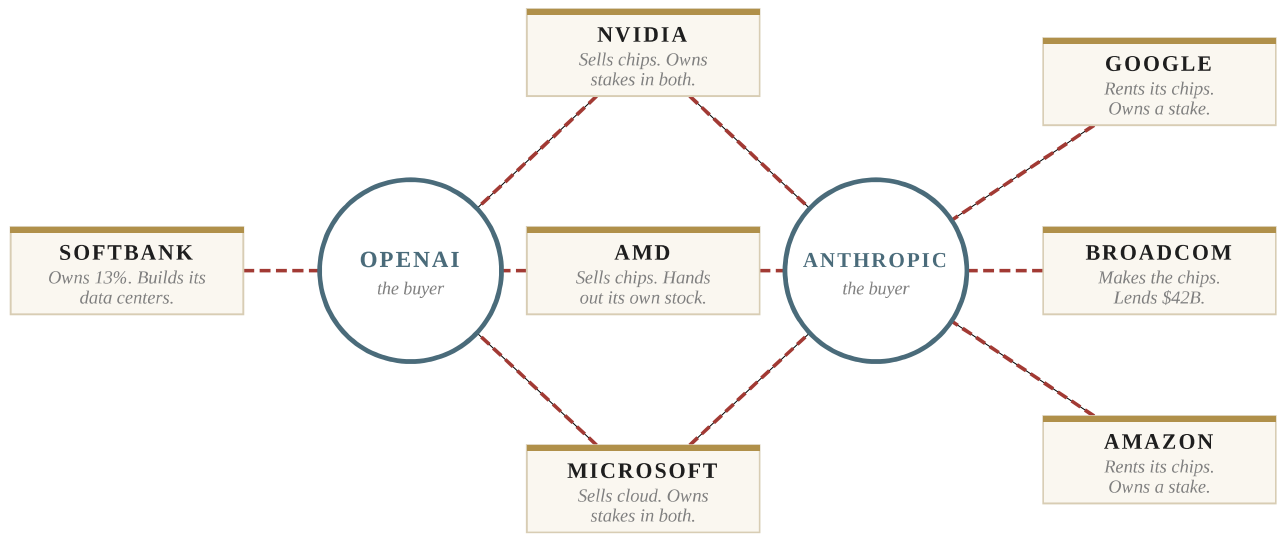
Each arrow is revenue for one company and a credit risk for another.

More Than One Loop

Most coverage has focused on Nvidia and OpenAI, but the arrangement is much wider than that. Two AI labs, OpenAI and Anthropic, sit at the center, and nearly every company that sells them chips or computing power also owns a piece of them, lends to them, or guarantees their bills.

Who Funds Whom

Every line is a company that sells to an AI lab and also funds it



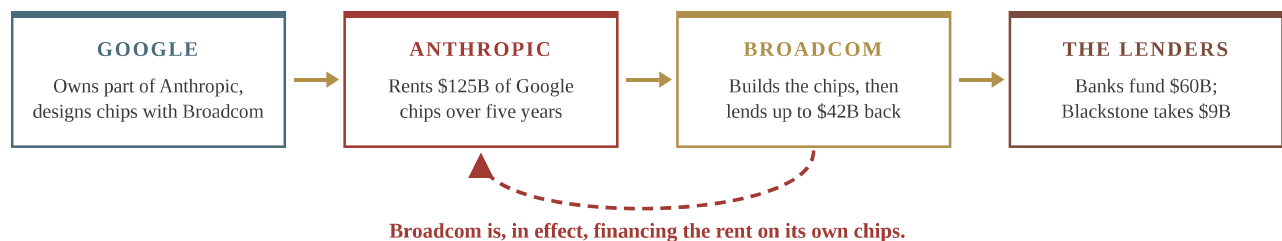
In all ten of these relationships, money flows in both directions.

The Newest Lender: Broadcom

Broadcom helps Google design its AI chips, called TPUs. On October 1, filings showed Broadcom agreeing to lend Anthropic up to \$42B so Anthropic can pay the rent on \$125B of those same chips. Banks are selling the loans on to investors, with Blackstone taking the riskiest \$9B.

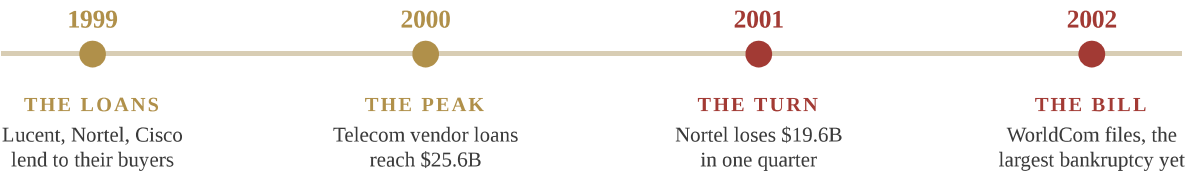
A Second Loop, With a Bank Attached

Google, Anthropic and Broadcom, as reported



We Have Seen This Movie

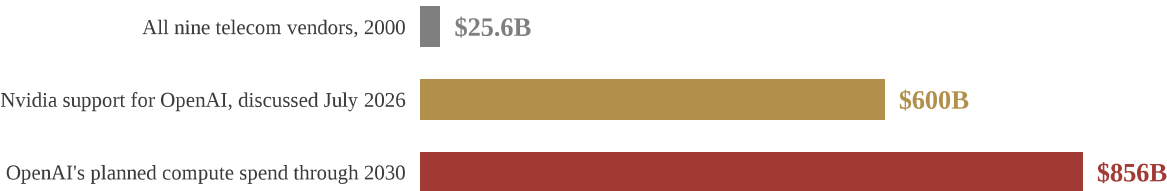
In the late 1990s Lucent, Nortel and Cisco lent billions to young carriers so they could buy Lucent, Nortel and Cisco equipment. The sales were real, but many of the customers were not built to last, and when the carriers failed the loans went with them. WorldCom, the biggest buyer of that era, added a second lesson: it had been booking ordinary costs as long-lived investments to make its profits look larger. Today's version of that question is how long an AI chip really lasts. The biggest buyers depreciate them over five to six years; critics say three.



By mid 2002, 23 telecom companies had failed and \$2 trillion of telecom market value was gone.

The Same Trade, Twenty Times Bigger

What every telecom vendor lent at the peak, against one AI relationship today



Vendor financing, then and now. Bars to scale.

	1999 TELECOM	2026 AI
THE LENDER	Lucent, Nortel, Cisco	Nvidia, Broadcom, AMD, Google, SoftBank
THE BUYER	New carriers with thin revenue	AI labs and chip-rental startups burning cash
THE SWEETENER	Loans, stock as currency	Equity stakes, rent guarantees, AMD shares for \$0.01
OUT OF SIGHT	Side deals, aggressive booking	Off-the-books data centers, stretched chip lifespans

HOW TODAY IS DIFFERENT

- Microsoft, Alphabet, Amazon and Meta earn enormous cash. The telecom upstarts did not.
- Demand is real. OpenAI's sales are running near \$50B a year and growing.
- Much of the money is equity and leases, not loans on the seller's own books.

WHAT LOOKS FAMILIAR

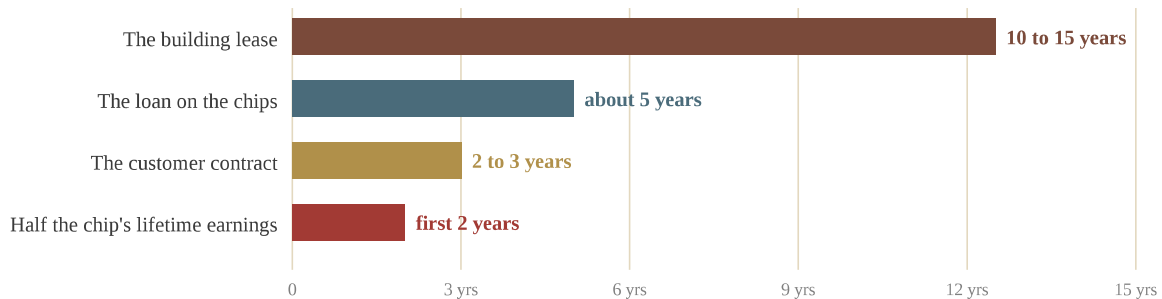
- OpenAI plans to burn \$278B before 2031, and its sales came in about \$20B below what investors had heard.
- The terms keep loosening: from selling chips, to guaranteeing rent, to lending the buyer the money.
- The risk now sits in banks, bond funds and pensions, not just with the vendors.

Neoclouds: The WeWork of AI

A **neocloud** is a newer company that rents out AI chips by the hour or by the year. CoreWeave is the largest, followed by Nebius. Close behind are former bitcoin miners such as IREN, Cipher Mining and Applied Digital, which now rent out AI chips or the buildings that house them. None of these are arms of the big tech companies. They borrow on their own, much weaker credit, and many own very little: CoreWeave leases all 49 of its data centers. The model reminds us of WeWork, which signed 15-year office leases, rented desks by the month and paid for growth with other people's money. It was valued at \$47B in 2019 and filed for bankruptcy in 2023.

Four Clocks That Do Not Match

A typical neocloud's commitments, against what it earns



The bills run for a decade, while the chips earn most of their money in the first two years.

What the Renter Earns

Fast falls, partial recovery



*Price to rent one Nvidia H100 chip for an hour.
Mix of spot and one-year rates, SemiAnalysis data.*

	WEWORK	COREWEAVE
OWNS	Almost nothing	Chips; every building leased
EARNS FROM	Monthly desks	2 to 3 year contracts
FUNDED BY	SoftBank, new stock	Debt, new stock, Nvidia
PROFITS	Never	None yet, as reported

Nvidia is involved here as well. It bought \$2B of CoreWeave stock in January and has promised to rent \$6.3B of CoreWeave's unused capacity through 2032. CoreWeave, in turn, buys Nvidia chips.

\$52B

COREWEAVE DEBT
AND LEASES

~25%

OF REVENUE SPENT
ON INTEREST

16%+

BOND YIELD, FROM
9.6% IN JUNE

B+

CREDIT RATING,
FOUR STEPS INTO JUNK

\$102B

MORE DEBT NEEDED
THROUGH 2030, UBS

Friday Was a Warning

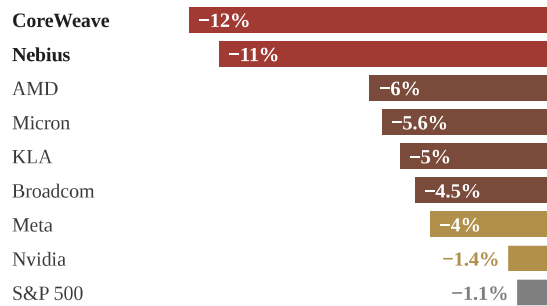
On Friday, October 16, the stress in this paper showed up in prices. Chip stocks fell for an eighth straight session and the Nasdaq had its worst week since June, as a hot inflation report raised the odds of another Fed hike to 74%. What stood out to us was the order of the damage: the borrowers at the edge fell hardest. CoreWeave lost about 25% in a week, and its bonds briefly yielded more than 16%.

Eight Straight Down Days for Chip Stocks



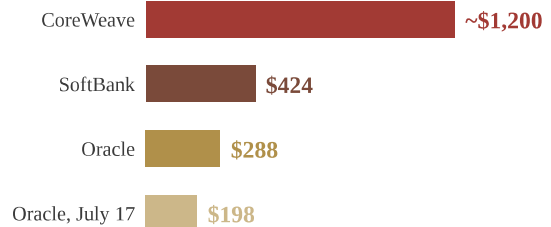
Philadelphia Semiconductor Index. Eight straight losses, the longest streak since October 2008. About \$1T+ in value lost.

Friday: The Edge Fell Hardest



Red: chip-rental borrowers at the edge of the web.
Approximate moves on Friday, October 16, 2026.

The Price of Insurance



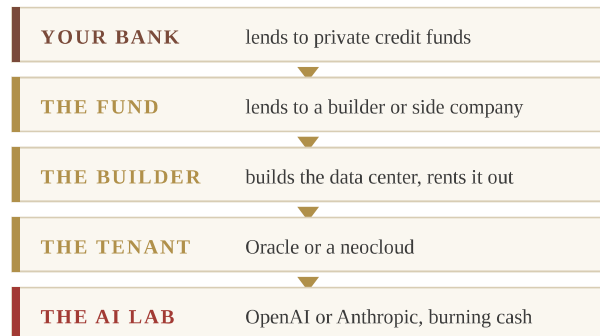
Yearly cost to insure \$10,000 of each company's debt against default. Mid-October unless noted.

The Banks Are Further In Than They Look

Banks rarely lend to an AI lab directly. They lend to the private credit funds that do: \$1.7T by mid-2026, up 47% in eighteen months. CoreWeave's largest loans came from Blackstone, Magnetar, Carlyle and BlackRock.

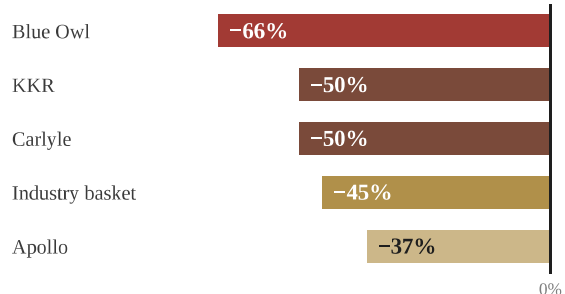
How a Bank Ends Up Inside a Data Center

Each link is a separate loan, lease or contract



Private Markets Firms

Share price change from peak



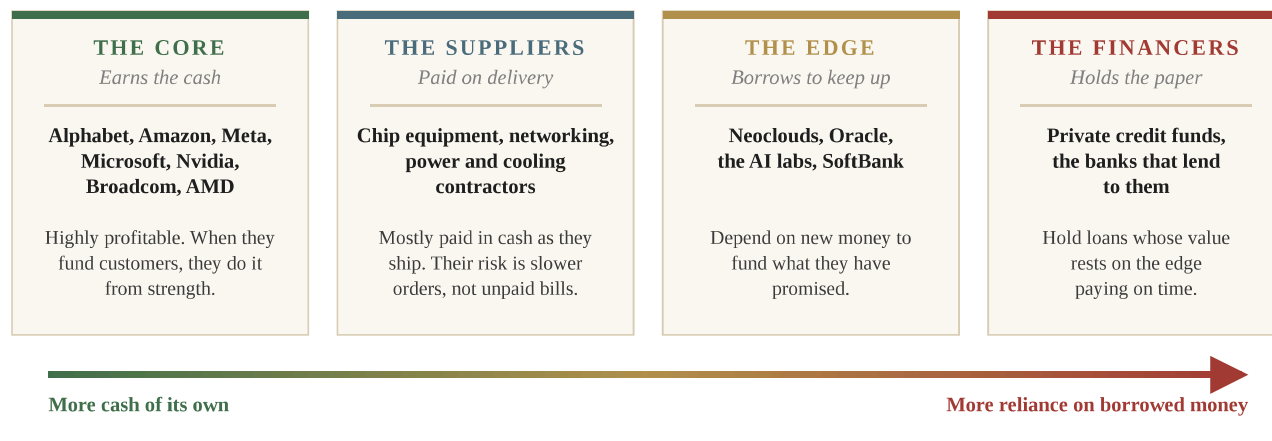
Share price change from peak, as of October 14, 2026.
KKR and Carlyle approximate. Blue Owl: more than 66%.

Owning AI Without Owning the Loop

Our growth portfolio owns several of the companies named here, and we are comfortable with that. The risk in this web is not spread evenly. It sits mostly with the companies that need outside money to keep their promises, and with the lenders holding that paper. The companies at the core earn enormous cash and fund their deals from strength.

Not All AI Exposure Is the Same

How we sort the companies in this paper, from the strongest position to the most exposed



In the growth portfolio we favor companies that earn their own cash or get paid on delivery, size them so no single theme dominates, and avoid the borrowers at the edge. We expect these stocks to be volatile if the edge stumbles. Around them, COWZ holds the hundred U.S. companies with the most free cash flow for their price, and the Alternative Allocation holds managed futures, deep value equity and gold, none of which depends on AI spending continuing. We are watching three warning signs most closely: record default insurance at Oracle and CoreWeave, chipmakers moving from selling to lending, and private credit funds limiting withdrawals.

We think AI is real. What we are watching is who gets paid, and when.

We would be glad to show you how much of your portfolio depends on this, and how it is balanced.

With regards, **GLR Partners**, *Independent Wealth Advisory*

Sources. Nvidia and OpenAI financing talks: Wall Street Journal via CNBC and Axios (July 2026); Nvidia statements via Benzinga (August 2026); Nvidia financing platform: Fortune (August 2026). Broadcom and Anthropic financing: Reuters via CNBC, Bloomberg, Financial Times via Benzinga, R&D World (October 2026). Anthropic and OpenAI commitments: company filings as reported by Reuters and others; Financial Times, Bloomberg (September and October 2026); OpenAI revenue revision: Financial Times and Reuters (October 8, 2026), Axios (September 29, 2026), market moves via Wealth Professional. Google lease guarantees: company announcements via Decrypt, MeasuredAI. AMD warrants: AMD Form 10-Q. IMF: Global Financial Stability Report and IMF blog (October 2026). Oracle credit, orders and cash flow: S&P Global Ratings, company filings, Bloomberg, GuruFocus (July to October 2026); Project Jupiter: Bloomberg via Yahoo Finance. Neoclouds: company filings, MeasuredAI, S&P, UBS and Octus as reported (2026); chip rental prices: SemiAnalysis via DataGravity; WeWork: AP (2023). Bank lending to nonbanks: FFIEC Call Reports (Q2 2026) via Tiggiz, Moody's; private credit defaults: Fitch; bank loan sales: Bloomberg as reported. Private markets share prices: Bespoke Investment Group (October 14, 2026); October 16 market moves and chip-stock streak: Reuters, AP, TheStreet, Yahoo Finance (October 16, 2026); CoreWeave lenders and credit: Reuters (October 16, 2026); Blue Owl withdrawals: Benzinga. Index concentration: J.P. Morgan, Bianco Research (October 2026). Depreciation: Michael Burry (November 2025), disputed by Bernstein and others. Telecom history: TheStreet (2001), McKinsey, SEC (2004), The American Prospect (2002), CNN (2001).

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