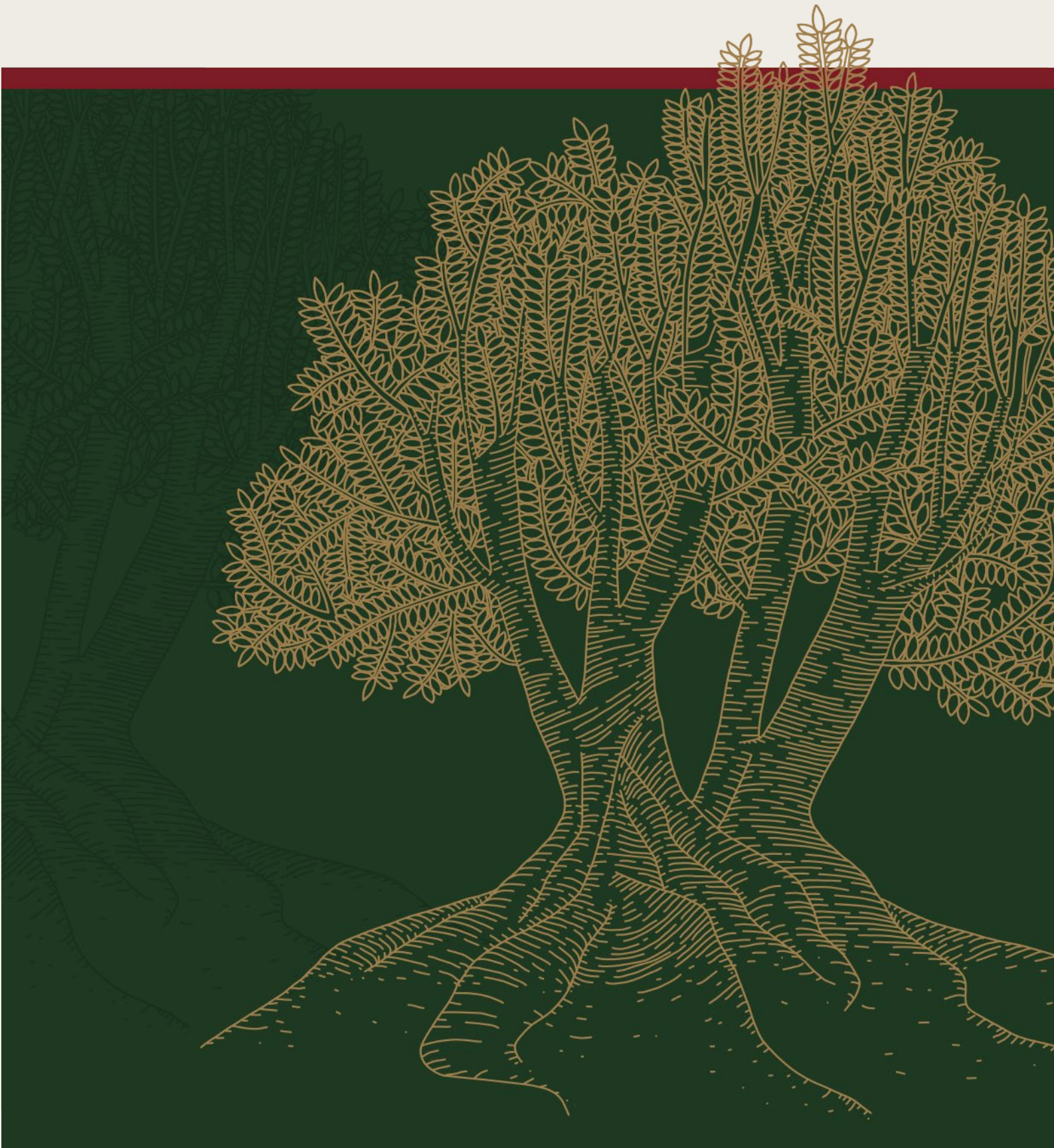
OMBA
ADVISORY & INVESTMENTS

AI CORRECTION

What Investors Need to Know

25 November 2026



INTRODUCTION

Beyond the current excitement, AI has the very real potential to drive a notable productivity boost. Achieving this is expensive and requires significant investment across the entire value chain. We have seen this particularly with hyperscalers where the competition for capital is creating distortions.

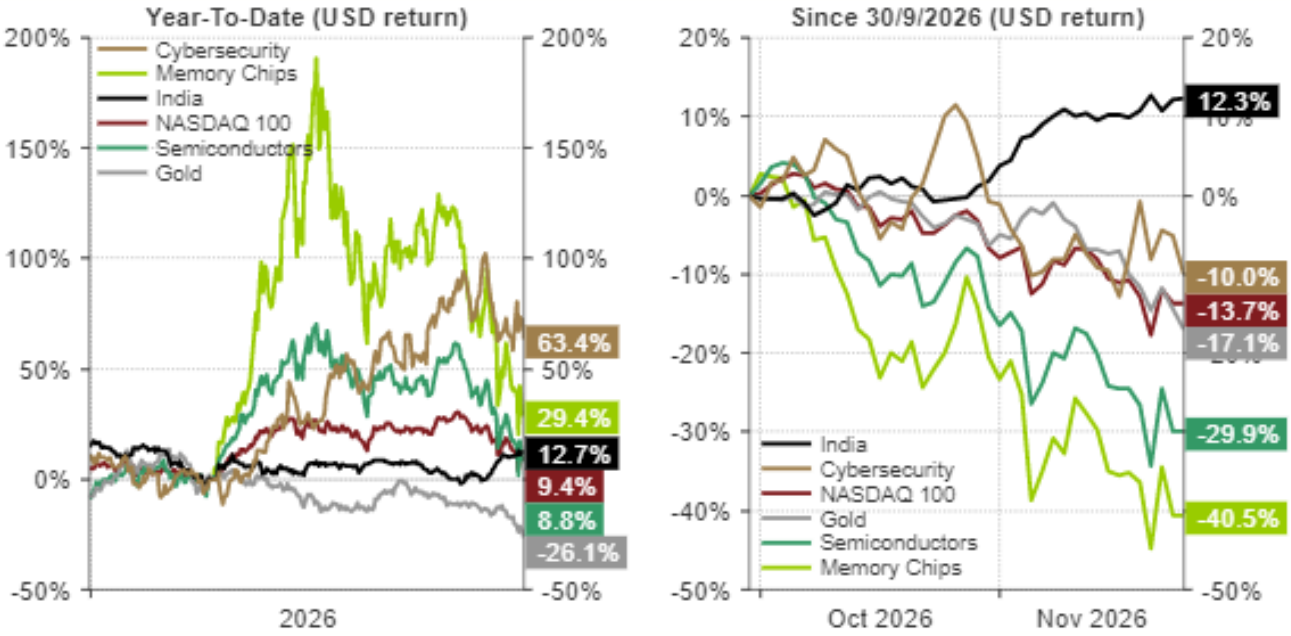
Investors should therefore look beyond recent index and company returns and understand their exposure across the AI value chain, how concentrated that exposure is and how correlated these risks might be.

> *There are known knowns; there are things we know we know. We also know there are known unknowns; that is to say we know there are some things we do not know. But there are also unknown unknowns—the ones we don't know we don't know.*
>
> *Donald Rumsfeld, Secretary of Defense of the United States, 2002*

MARKET SNAPSHOT

2026 SUMMARY AND THE Q4 CORRECTION

2026 has been a strong year for AI-related assets despite the correction in Q4. India, largely seen as an anti-AI trade, has been a beneficiary of the recent sell-off, but remains a laggard over the last two years. Gold (typically a safe-haven asset) too has struggled in the face of higher real rates, following strong performance until peaking in early 2026.



Source: LSEG Datastream - 25/11/2026

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INDEX AND COMPANY DRAWDOWNS IN LAST 52 WEEKS

Many of the indices and companies that have corrected the most (China and SK Hynix suffering the largest drawdown) are also well above their low point over the last 52-weeks. Recent performance may therefore exaggerate the extent to which parts of the market are genuinely oversold. China, South Africa and France along with Netflix, Nvidia and Alphabet are interesting as they remain near their 52-week low after suffering substantial drawdowns in the last 52-weeks.

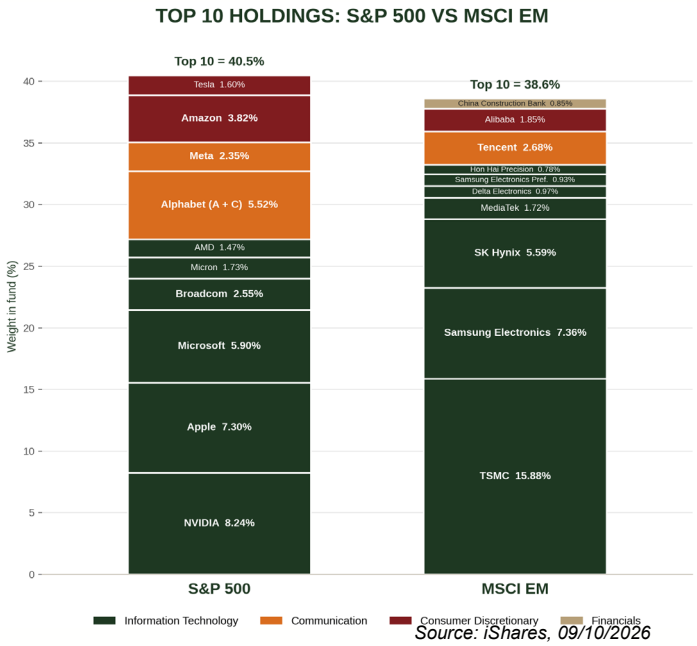
Index	Currency	Price Below 52-week High	Price Above 52-week Low
CSI 300 - China	CNY	-23.02%	0.29%
Hang Seng Index	HKD	-21.71%	0.23%
JSE TOP 40 - SA	ZAR	-20.17%	1.01%
MSCI Emerging Markets	USD	-18.71%	8.35%
NASDAQ - US	USD	-16.41%	14.77%
FTSE MIB - Italy	EUR	-12.57%	13.54%
TOPIX - Japan	JPY	-11.23%	13.07%
MSCI All Country World Index	USD	-8.97%	9.97%
CAC40 - France	EUR	-8.85%	6.33%
DAX - Germany	EUR	-8.52%	10.41%
IBEX 35 - Spain	EUR	-8.45%	15.37%
S&P/TX Comp Index - Canada	CAD	-8.38%	11.09%
S&P 500 - US	USD	-8.20%	14.00%
STOXX 600 - Broad Europe	EUR	-6.08%	11.98%
FTSE 100 - UK	GBP	-5.12%	8.69%
S&P/BMV IPC - Mexico	MXN	-4.98%	11.08%

Company	Currency	Price Below 52-week High	Price Above 52-week Low
SK hynix Inc	KRW	-65.52%	105.59%
Samsung Electronics Co Ltd	KRW	-54.42%	71.90%
Micron Technology Inc	USD	-49.82%	191.57%
Netflix Inc	USD	-46.35%	4.08%
Space Exploration Technologies Corporation	USD	-44.24%	20.01%
Broadcom Inc	USD	-39.18%	3.90%
NVIDIA Corp	USD	-36.15%	24.79%
ASML Holding NV	EUR	-35.00%	30.61%
Alphabet Inc	USD	-31.71%	5.61%
Anthropic	USD	-28.84%	8.33%
Taiwan Semiconductor Manufacturing Co Ltd	USD	-28.36%	27.87%
Salesforce Inc	USD	-28.19%	32.08%
Meta Platforms Inc	USD	-24.36%	13.37%
Palantir Technologies Inc	USD	-24.20%	51.60%
Tesla Inc	USD	-22.88%	29.35%
JPMorgan Chase & Co	USD	-13.48%	13.62%
Amazon.com Inc	USD	-12.16%	28.72%
Microsoft Corp	USD	-11.27%	42.08%
SoftBank Corp.	JPY	-5.93%	17.42%
Eli Lilly & Co	USD	-4.59%	65.47%
Berkshire Hathaway Inc	USD	-3.29%	24.30%
Walmart Inc	USD	-2.12%	29.48%
Apple Inc	USD	-1.87%	45.45%
Roche Holding Ltd	CHF	-1.63%	36.45%

** SpaceX and Anthropic do not have a full 52-week trading history. Data to 25/11/2026.*

MARKET CONCENTRATION IS HIGH

Market concentration to Technology is high in both the US and Emerging Markets. We do not necessarily see this negatively but rather something that we factor into our portfolio construction. Correlation to other equities and even asset classes means that many portfolios are even more exposed to AI than they may initially appear.



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THE AI ECOSYSTEM

THE INVESTMENT LANDSCAPE

When thinking about investing in the broader AI ecosystem a macro framework can be applied to each of the following layers. Even at an individual company level, this framing can be challenging as companies become more vertically integrated, bottlenecks shift as capacity comes online at a different rate. We prefer a dynamic approach, favouring equity exposure over debt as we like the potential for growth and inflation protection in place of the typically greater downside protection offered debt.

AI ecosystem layer	What it does	Company and ETF examples
Foundries and semiconductor equipment	Manufacture advanced semiconductors and supply the lithography, deposition, etch, inspection and other equipment required to produce increasingly complex chips.	**Companies:** TSMC, ASML, Applied Materials, Lam Research, KLA, Tokyo Electron, ASM International **ETFs:** Global Semiconductor ETF; Taiwan ETF; Europe Technology ETF
Semiconductor designers and components	Design the GPUs, accelerators, CPUs, networking chips and connectivity components that provide the compute underpinning AI training and inference.	**Companies:** Nvidia, AMD, Broadcom, Marvell Technology, Arm Holdings, Astera Labs **ETFs:** Global Semiconductor ETF
Memory and storage	Supply high-bandwidth memory (HBM), DRAM, NAND and storage required to support AI processors and increasingly data-intensive workloads.	**Companies:** SK Hynix, Micron Technology, Samsung Electronics, Western Digital, Seagate Technology **ETFs:** Global Semiconductor ETF, Global Memory Chips ETF
Networking and optical connectivity	Move large volumes of data rapidly between accelerators, servers, clusters and data centres, reducing bottlenecks as AI systems scale.	**Companies:** Arista Networks, Broadcom, Marvell Technology, Coherent, Lumentum, Ciena **ETFs:** Photonics ETF; AI Infrastructure and Technology ETFs
Data-centre power, cooling and electrical infrastructure	Provide the power distribution, cooling, backup systems and electrical equipment required to operate increasingly power-dense AI data centres.	**Companies:** Vertiv, Eaton, Schneider Electric, ABB, Siemens Energy, GE Vernova, Trane Technologies **ETFs:** Grid Infrastructure ETF; Electrification & Power Infrastructure ETF; US/ Europe Industrials Sector ETF
Data-centre operators and digital real estate	Own, lease and operate the physical facilities and communications infrastructure in which AI and cloud compute capacity is installed.	**Companies:** Equinix, Digital Realty, American Tower, Iron Mountain **ETFs:** Data Center REITS & Digital Infrastructure ETF; New Economy Real Estate ETF

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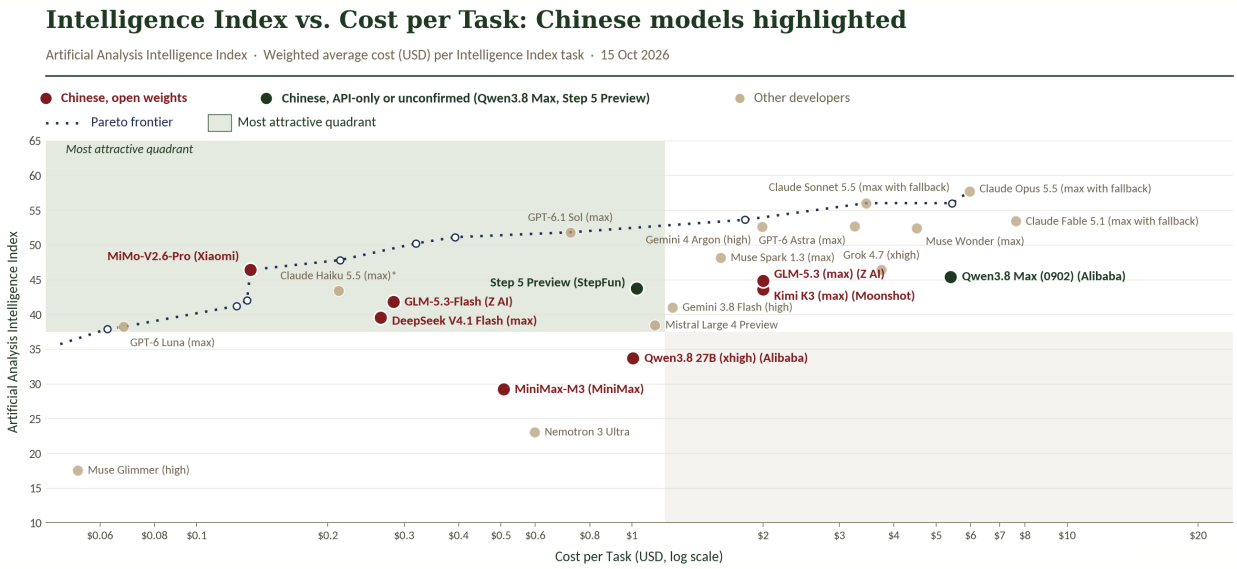
AI ecosystem layer	What it does	Company and ETF examples
Hyperscalers / cloud platforms	Build and operate the hyperscale cloud, data-centre and proprietary compute platforms on which AI models are trained, hosted and deployed.	**Companies:** Microsoft, Amazon, Alphabet, Oracle, Meta Platforms **ETFs:** US Communication Services ETFs; Nasdaq-100 ETF; Cloud Computing ETF; AI & Big Data ETF;
AI models, software and enterprise platforms	Develop foundation models and translate AI capabilities into software, analytics, workflow automation and productivity products.	**Companies:** Anthropic, Alibaba (Qwen), OpenAI, Deepseek, Microsoft, Alphabet, Meta Platforms, SAP, Salesforce, Palantir Technologies **ETFs:** Artificial Intelligence & Technology ETF
AI-enabled applications and adopters	Apply AI within existing products and business models to improve customer propositions, increase productivity, lower costs or disrupt established industries.	**Companies:** CrowdStrike, Intuit, Duolingo, Tesla, Uber, MercadoLibre, Spotify, RELX **ETFs:** Robotics ETFs; International Internet ETF; AI Adopters & Applications ETF; Digitalisation ETF

EQUITY INVESTING

Within equities, direct exposure to AI can be seen through two dimensions. The first being the supply chain. The second being geographic, where the US races China for dominance. Several companies straddle both the supply chain and multiple geographics (with the notable restriction of some exports to China). China remains behind the US in both hardware (semiconductors) and frontier AI models, but they catching up quickly especially in terms of their AI models.



The relations between Taiwan and mainland China continue to be tense without dominating major news flow. We remain constructive and pragmatic on that relationship and we think so does both China and the US. The next phase of companies to benefit from advances in AI is as diverse as those who benefited from

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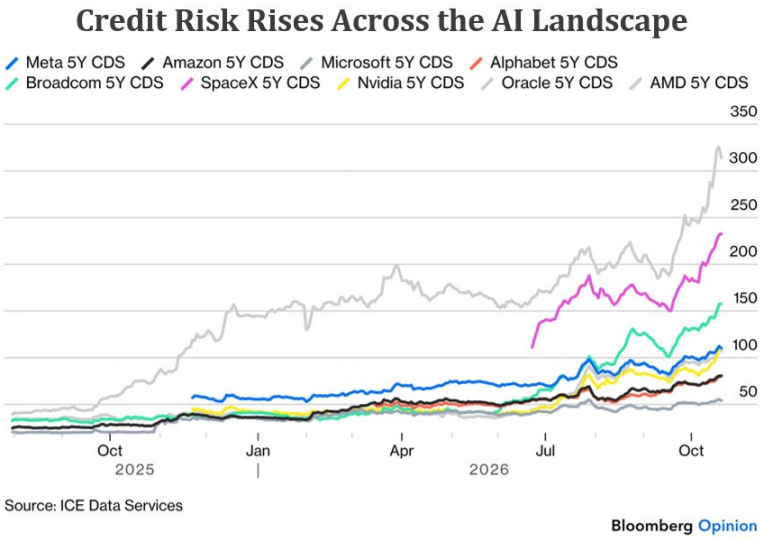
the adoption of the internet – a vital theme but one that is less directly observable for equity investors. Firms who have a large client base and geographic reach can on-sell their AI tools to boost revenues and are likely winners.

DEBT AND CDS

Credit Default Swap (CDS) rates (the cost of insuring against default) have increased over the year as the market becomes increasingly concerned about the credit risk of these businesses.



Risks have undoubtably increased (to varying degrees) and an inability to fund at attractive rates would also be concerning for equity holders.

As an example, CoreWeave's (a neocloud business) bonds fell to new lows on Tuesday, November 24 wiping out Monday's recovery. The 9% coupon notes due in 2031 dropped as much as 3.6 points to 76.4 cents on the dollar with a YTM of 17.1%, their lowest since the company sold them in July 2025. CoreWeave is one example of how credit investors see debt-funded AI infrastructure, because its borrowing is so large and so tied to a single supplier (Nvidia). Smaller data-centre developers like Applied Digital raise money in a similar way to CoreWeave i.e. against long-term leases with a handful of customers. If CoreWeave, with Nvidia as a major shareholder and customer, cannot keep servicing its bonds, other borrowers are unlikely to get better terms the next time they go to debt markets.

With inflation elevated (and hence treasury bond yields higher) coupled with wider credit spreads for AI related businesses, the ability to borrow at attractive rates is meaningfully diminished. This will likely result in a slowdown in the capex cycle.

CAPEX, CASH FLOW AND THE PRESSURE TO MONETISE

Investment by just US hyperscalers has been relentless and while we appear to be nearing a peak (in terms of the rate of increase), expected investment continues to be robust.

This investment is becoming constrained by the availability of capital from different sources:

- Available free cash flow (this is now low to negative as hyperscalers previously used their diverse businesses to fund investment)
- Debt and equity markets (already somewhat strained for most except some of the largest names in the industry, e.g. Anthropic)

This results in increasing pressure for businesses to fund future capex from improved revenues or reduced expenses (from efficiency gains). This increases risk as it continues to narrow the timeline for the productivity boost. One main source of reprieve is the expectation of increased semiconductor supply (with related technological improvements) which will in turn relieve cost pressure for hyperscalers.

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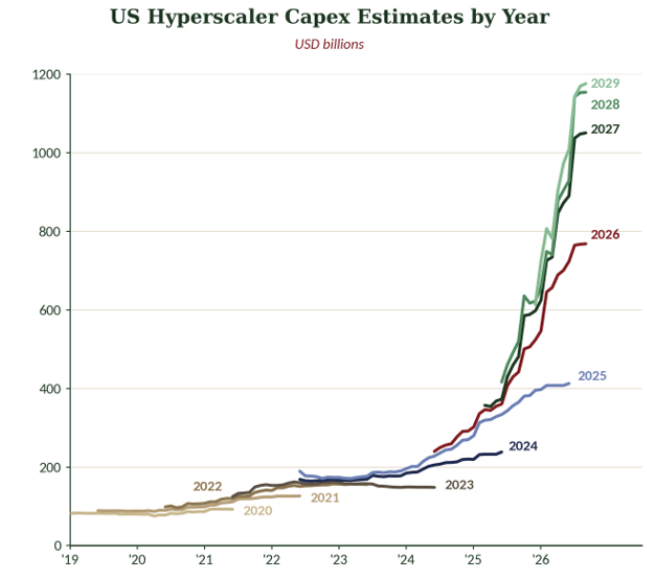
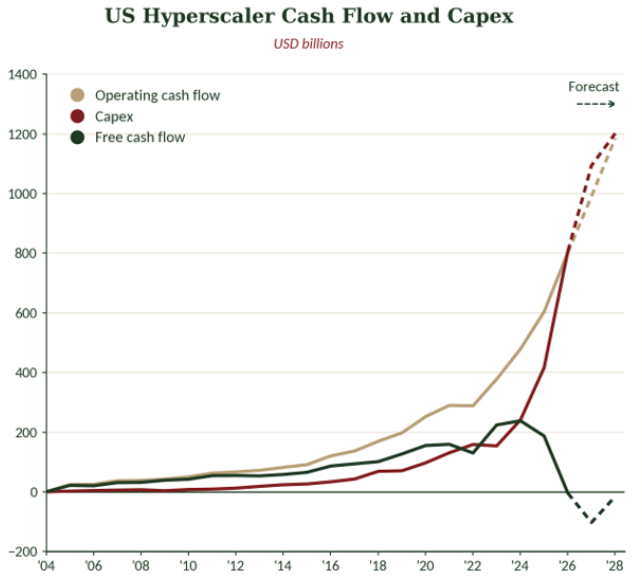


Source: FactSet, J.P. Morgan Asset Management. Hyperscaler capex includes Alphabet, Amazon, Meta, Microsoft and Oracle, 30/9/26



Source: Bloomberg, J.P. Morgan Asset Management, 30/9/26

OMBA'S POSITIONING

WHAT WE LIKE:

At an asset class level we like equities. They offer a potential for growth and a degree of inflation protection. Within AI equities, we like those **businesses with a strong distribution network and core products/services** that are complemented by AI advances.

The **large US hyperscalers** (Amazon, Microsoft, Meta, Alphabet) with established core businesses, and ability to generate strong cash flow from these in addition to ancillary AI related revenue, are likely long-term winners. We also see these businesses as quite dynamic and nimble despite their size. For example, we have seen the evolution of Meta beginning to develop commercial cloud infrastructure (to challenge AWS, Microsoft Azure and Google Cloud) and Alphabet accelerating their development of their TPUs, reducing reliance on firms like Nvidia and AMD who produce GPU's. Due to revenue uncertainty and sustainability, we are less optimistic about companies like Anthropic and OpenAI who rely on usage-based fees and subscriptions. Their revenue model is increasingly under threat from the open-weight Chinese models (such as Deepseek, Qwen and Kimi) which are being released at a fraction of the cost of closed US frontier models. These Chinese models trail US models by only a few months and can be downloaded and self-hosted allaying concerns about data privacy. If more AI adopters choose to use the Chinese models in a self-hosted way the revenue model of Anthropic and OpenAI remains under threat.

From a more tactical perspective, the recent sell-off in some of the **memory companies looks attractive**. This is exemplified by the **South Korean index**, amongst more pure play versions.

We also like the electrification theme related to AI. The datacentre investment cycle is broadening the electrification theme beyond renewable generation and electric vehicles. AI facilities require exceptionally large, reliable and power-dense electrical systems, including grid connections, substations, transformers, switchgear, UPS systems, backup generation, busways, rack-level distribution, cooling and automated controls. This creates a relatively direct capital-expenditure opportunity for electrical-equipment companies.

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WHAT WE ARE WATCHING:

Key Risks	Severity	Likelihood and Timing
Over-capacity in semiconductors (and related hardware) While we are in a strong longer term secular market, semiconductor companies are typically cyclical businesses. Gross margins, especially in memory businesses, have a very large range making them difficult to value. Matching demand with slow moving supply (due to construction costs) is challenging especially at the cutting edge of the market. The outputs are the input costs for hyperscalers (and others).	High – especially for memory businesses.	High. China is already adding to global supply with material increases expected from 2027 (DRAM closer to 2028).
Higher interest rates and lower availability of capital Competitive debt/equity markets make funding a challenge for smaller/weaker businesses like neo-clouds.	Medium - Impact will be felt in smaller, less diverse businesses.	High. Access to capital is already more challenging for weaker business. Funding costs are relatively high for all businesses.
Proliferation of open-weight and specialised AI models Chinese AI labs are leading the effort on open-weight models. Specialised models developed for more specific use cases are expected to gain in popularity especially in corporate environments. Leading model providers are increasingly competing on cost. This requires local compute supporting some AI-related hardware firms, but challenges cloud businesses especially US and Chinese firms as companies and nations consider sovereignty risk.	Medium – especially challenging for firms that have smaller or no core business outside the LLM which they offer.	High. This shift is already in progress and is expected to accelerate (especially in the case of companies using specialised models).
Circular financing in the AI ecosystem Vendor financing is not unique. The inter-connectedness and complexity of financing deals is however high, particularly where customers have weaker or AI-only business models. This is challenging to quantify at a sector level and raises contagion risk across the industry. This favours businesses with more established and stronger business models.	Medium to High – Larger hyperscalers with strong core businesses will be fine but smaller players will struggle.	High. Little evidence of this unwinding although any unwinding would likely be fairly quick.

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OUR POSITIONING:

We reflect on our positioning going into the recent sell-off and after several changes. Positioning reflects that of our core global equity view (the Omba Global Equity Fund) compared to a broad global equity benchmark (MSCI ACWI).

Omba vs ACWI	Overweight vs ACWI (after rounding)
	Underweight vs ACWI (after rounding)
	In line (same % once rounded) – no shading
20 Nov Omba weight	**▲ higher than at 30 Sep**
	▼ lower than at 30 Sep
Weights	Percentage of equity

Category	Exposure	AI Relevance	30 September 2026 (recent high point)		20 November 2026 (recent low point)	
			Omba	ACWI	Omba	ACWI
Country	India	*Seen as an anti-AI trade*	3.6%	1.2%	▲ 4.3%	▲ 1.48%
	South Korea	*Large exposure to memory chips*	0.1%	2.6%	▲ 1.7%	▼ 1.99%
Sector	US Technology	*Concentration of Hardware and Semiconductor companies*	19.8%	24.9%	▼ 16.4%	▼ 22.37%
	US Communication Services	*Concentration of US hyperscalers*	7.9%	6.4%	▲ 10.5%	▼ 5.83%
	Europe Industrials	*Electrification, automation and data-centre power infrastructure*	8.2%	2.9%	▼ 7.9%	▼ 2.82%
Industry	Global Semiconductors	*AI chip designers, foundries and equipment makers*	10.8%	16.2%	▼ 8.2%	▼ 12.73%
	Global Software	*Software and cloud platforms, including cybersecurity companies*	6.9%	6.2%	▼ 6.2%	▼ 6.18%
	Global Pharmaceuticals	*Defensive; limited direct AI exposure*	8.1%	3.8%	▲ 10.0%	▲ 4.69%
	Global Electrical Equipment	*Grid and data-centre power equipment*	3.7%	1.7%	▼ 3.1%	▼ 1.44%
	Global Power & Renewables	*Independent power producers; power supply for AI data centres*	1.3%	0.2%	1.3%	0.19%
Companies (top 12 Active Share vs ACWI)	Roche	*Pharma; limited direct AI exposure*	1.49%	0.30%	▲ 3.21%	▲ 0.70%
	Novartis	*Pharma; limited direct AI exposure*	1.28%	0.26%	▲ 1.36%	▲ 0.29%
	AstraZeneca	*Pharma; limited direct AI exposure*	1.20%	0.24%	▲ 1.29%	▲ 0.28%
	Netflix	*Streaming; AI user, not an AI supplier*	0.63%	0.28%	▲ 1.00%	▼ 0.26%
	Meta	*Large AI capex spender; AI-driven advertising*	1.57%	1.54%	▲ 1.96%	▼ 1.39%
	Apple	*AI-enabled devices (consumer hardware)*	2.43%	4.76%	▼ 2.34%	▲ 5.32%
	Microsoft	*Hyperscaler (Azure) and AI software*	1.92%	3.51%	▼ 1.74%	▲ 3.69%
	NVIDIA	*Leading AI accelerator (GPU) supplier*	2.77%	5.13%	▼ 1.84%	▼ 3.57%
	TSMC	*Leading-edge foundry for AI processors*	–	1.87%	–	▼ 1.67%
	Amazon	*Hyperscaler (AWS) and custom AI chips*	1.28%	2.34%	▼ 1.20%	▲ 2.66%
	Broadcom	*Custom AI accelerators and AI networking chips*	0.87%	1.54%	▼ 0.77%	▲ 1.64%
	Eli Lilly	*Pharma; AI used in drug discovery, not infrastructure*	0.36%	0.90%	▲ 0.37%	▲ 1.13%

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CONCLUSION

- The AI ecosystem is evolving rapidly with the sources of bottlenecks in the supply chain changing over time. We therefore see opportunity in being tactical in our approach to investing in the broader AI ecosystem as we move through investment cycles, sometimes quite rapidly. The core value proposition of AI is strong, and we expect a reasonable productivity boost over the medium to long term but one's approach to investing needs to be more dynamic.
- Markets can and do over-react as we have seen them become over-exuberant to the upside, we have now seen a turn to the downside with potential over-selling. Against this strategic view on AI, we think the need to be tactical at a sector and geographic level will be key to navigating the next phase of growth and investment.
- One of the current key bottlenecks, which has been the case for more than a year, is in memory with an evolving bottleneck being the education and implementation of AI in corporate processes.
- Pressure to monetise spend on the AI buildout is increasing across the supply chain, particularly in hyperscaler businesses that have incurred significant capex over the past several years. This is the evolving bottleneck. While adoption of AI has been extremely rapid, by historical standards, adoption of such a fundamental technology requires a greater cultural buy-in which may be far slower to achieve. Cyber and IP-related risks to companies competes directly with the need for businesses to innovate and compete for survival at a time when information is far easier to obtain.
- We like the large US hyperscalers where they are well positioned with a strong distribution network and strong cloud businesses. They stand to benefit from a normalisation in demand and supply of semiconductors.
- We like the electrification related aspects to the AI buildout and irrespective of the AI related needs ageing grids in many developed countries supports demand for electrical-equipment companies.
- Tactically, we also like memory businesses where any delay to additional supply being available should provide significant upside to equity investors.

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