AI and Asset Classes: Executive Overview

Strategic Positioning Across 11 Asset Classes for the AI Transformation

Strategic Research Division

April 2026

A concise executive briefing distilled from the 121-page "Asset Classes and the AI Wave" report

Covering equities, fixed income, real estate, commodities, infrastructure, farmland, venture capital, private equity, crypto, currencies, and alternatives

across three time horizons and four 10-year scenarios

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Chapter 1

The Big Picture

1.1 The Single Most Important Insight

The AI revolution is a PHYSICAL revolution wearing digital clothes.

As AI makes digital goods abundant (content, code, analysis),
it makes physical assets scarce (power, chips, land, water).

Long physical scarcity. Short digital abundance.

The defining investment insight of the 2020s is profoundly counterintuitive: the largest technology revolution in history is fundamentally a *real asset* story [1]. AI is constrained by atoms, not bits. Power plants, copper mines, uranium deposits, water rights, farmland, data center land, cooling systems, and fiber networks are the scarce assets in an age of digital abundance.

As of April 2026, the AI wave has entered what Goldman Sachs calls the "Execution Phase" [2]. The $690B+ annual hyperscaler capex cycle is already committed—Amazon ($200B), Alphabet ($175–185B), Microsoft ($120B+), Meta ($115–135B), Oracle ($50B), and the Stargate Initiative ($100B initial)—representing the largest private-sector infrastructure investment in history [3].

1.2 The AI-to-Atoms Trade

The core investment thesis in one page:

LONG: Physical Scarcity	SHORT: Digital Abundance
Energy infrastructure ($7–23T needed)	Generic SaaS (IGV −21% YTD)
Copper (10MMT deficit by 2040)	Commercial office (18–22% vacancy)
Uranium ($100+/lb, nuclear PPAs)	Low-quality carbon credits
Farmland ($4,350/acre, AI + DC optionality)	Undifferentiated corporate bonds
Data center land ($5.38/sqft and rising)	Traditional active management
Water rights (legislation emerging)	AI-generated content

The parallel is electrification (1890–1930) [6]: power companies and equipment manufacturers were the biggest long-term winners, while the technology itself (light bulbs) was commoditized quickly. Every sector benefited from adoption; *adopters* captured most value, not builders.

Q1 2026 confirmed the "Great Rotation": every Magnificent Seven stock is negative YTD, shedding $2T+ combined, while energy (+20%), defense (PPA ETF +35%), and industrial infrastructure (FIX +50%, CAT +28%) are surging [4, 5].

1.3 Three Time Horizons at a Glance

Asset Class	Short-Term (Q2–Q4 2026)	Mid-Term (2027–2028)	Long-Term (2029–2035+)
Infrastructure	STRONG BUY	STRONG BUY	STRONG BUY
Energy Commodities	STRONG BUY	STRONG BUY	BUY
Farmland	BUY	BUY	STRONG BUY
Eq: Energy/Utilities	BUY	STRONG BUY	STRONG BUY
Eq: Industrials/Defense	BUY	STRONG BUY	STRONG BUY
Venture Capital	Selective	Selective	Selective
Fixed Income	Selective	BUY	BUY
Real Estate	Bifurcated	Bifurcated	Bifurcated
Eq: Healthcare	HOLD	BUY	BUY
Crypto/Digital Currencies (USD)	Speculative HOLD	BUY BUY	Selective STRONG BUY
Alternatives	BUY	BUY	BUY
Private Equity	HOLD	BUY	BUY
Eq: Software/SaaS	SELL	Selective	Selective

Chapter 2

The Scorecard

Each asset class on one page: ratings, key numbers, thesis, top risk, top opportunity.

2.1 Infrastructure — Highest Conviction

	Short-Term	Mid-Term	Long-Term
Rating	STRONG BUY	STRONG BUY	STRONG BUY

Metric	Value
Brookfield AI infra spending (10yr)	$7T [1]
Total energy infra needed (through 2040)	$23T [9]
DC buildout planned / likely actual	100GW / 50–70GW [10]
PJM capacity price increase	+800% [11]
Grid connection queue	4+ years [12]

Thesis: The $690B+ annual hyperscaler capex must flow through physical supply chains—power generation, cooling systems, fiber, copper wiring, construction labor. 70% of the US grid approaches end of life. This is the largest physical infrastructure buildout since post-WWII, with multi-decade demand visibility from contracted power purchase agreements [1, 8].

Top Opportunity: Brookfield BAIIF ($100B fund backed by NVIDIA/Kuwait). Integrated power-to-compute assets delivering 15–20%+ unlevered IRR. Hyperscalers becoming power companies (Google $4.75B Intersect deal) creates a new asset class [14, 15].

Top Risk: 30–50% of the announced 100GW pipeline may not materialize due to power constraints and the 439,000 construction worker deficit [13]. Scenario 3 (AI Bubble, 25% probability) creates stranded assets, though physical infrastructure retains value.

2.2 Energy Commodities — Structural Deficits

	Short-Term	Mid-Term	Long-Term
Rating	**STRONG BUY**	**STRONG BUY**	**BUY**

Metric	Value
Copper deficit by 2040	10 million metric tons [16]
Uranium spot price	$100+/lb [17]
Silver spot price	$80+ (+170% YoY) [18]
Goldman gold target	$4,900/oz [19]
Helium crisis	Acute Q2 2026 [20]

Thesis: AI creates a $3T commodity supercycle [21]. Each hyperscale DC requires 50,000 tonnes of copper (10x conventional). Uranium benefits from the nuclear renaissance: Microsoft/Constellation (2GW through 2040), Amazon/Talen (1,920MW through 2042), Meta/Oklo (1.2GW). Mining lead times of 10–15 years mean no quick supply response. Multiple commodities at all-time highs simultaneously—unprecedented in modern markets.

Top Opportunity: Copper is the highest-conviction long-duration commodity trade. 710,000 tonnes annual DC consumption, 10MMT cumulative deficit trajectory, prices sustained above $12,000/mt with potential for $15,000–$20,000+ [16].

Top Risk: In Scenario 3 (AI Bubble), near-term commodity correction occurs, though structural deficits in copper and uranium only slow rather than reverse due to non-AI demand drivers (EVs, grid modernization, defense) [7].

2.3 Farmland — The Triple Tailwind

	Short-Term	Mid-Term	Long-Term
Rating	**BUY**	**BUY**	**STRONG BUY**

Metric	Value
USDA average price	$4,350/acre (record) [22]
AI in agriculture CAGR	24.1% [25]
AI farming ROI	120–150% [26]
DC developer offers for farmland	$60K–$400K/acre [24]
Ag robotics market by 2033	$86.5B [28]

Thesis: The ONLY asset class that simultaneously benefits FROM AI (precision ag 24.1% CAGR, 120–150% ROI), benefits BECAUSE OF AI (DC conversion optionality at 14–92x agricultural value), and is IMMUNE to AI disruption (cannot be digitized). Food production serves $3.52T non-discretionary demand. Correlation with equities of only 0.1–0.2 provides exceptional portfolio construction value. Retains value across ALL four scenarios [23].

Top Opportunity: AI-optimized Tier 1 farmland earns 12–15% annualized with embedded $60K–$400K/acre DC conversion optionality. 2026 Farm Bill provides 90% EQIP reimbursement for AI/precision ag adoption [27]. Preferred vehicles: Nuveen REIT ($3B), FPI (261% EPS beat), FarmTogether/AcreTrader.

Top Risk: Short-term capital appreciation may be modest (2024 returned −1.0%). Illiquidity is structural. Technology bifurcation means unmodernized Tier 3 land faces declining 3–5% returns.

2.4 Equities: Energy / Utilities

	Short-Term	Mid-Term	Long-Term
Rating	**BUY**	**STRONG BUY**	**STRONG BUY**

Metric	Value
Energy sector Q1 2026	+20% [5]
DC power demand (current / 2028 / 2035)	75.8GW / 108GW / 200GW+ [8]
Constellation Energy fleet	55GW with MSFT/Meta PPAs [29]
Bloom Energy 2026 guidance	$3.1–3.3B (+58% YoY) [30]

Thesis: Energy/utilities parallel electrification-era power companies (1890–1930)—the biggest long-term winners of the prior comparable technology revolution. These companies cannot be disrupted by AI; power demand is physical necessity. Long-term PPAs with hyperscalers provide decades of revenue visibility. Utilities are being re-rated from defensive yield plays to growth stocks—unprecedented in market history [29, 8].

Top Opportunity: Nuclear operators with long-term hyperscaler PPAs (Constellation 55GW fleet, 15–20 year contracts with inflation escalators). Natural gas as bridge fuel: KKR/Blackstone committed $17B in gas infrastructure for AI power [31].

Top Risk: Nuclear regulatory delays. SMRs will NOT deploy commercially before 2030 [32]. Stranded gas assets if AI demand disappoints (Scenario 3).

2.5 Equities: Industrials / Defense

	Short-Term	Mid-Term	Long-Term
Rating	**BUY**	**STRONG BUY**	**STRONG BUY**

Metric	Value
Robotics market (2026 / 2033)	$94B / $373B [35]
AI defense spending trajectory	$4.2B → $42.8B (10x) [36]
Pentagon budget	$900.6B [37]
PPA defense ETF 2026	+35% [5]
FIX / CAT performance	+50% / +28% YTD [33, 34]

Thesis: Unique sector: benefits from AI without AI disruption risk. Physical infrastructure cannot be coded into existence. The robotics boom ($94B → $373B) provides a second growth driver independent of DC construction. Defense is "have your cake and eat it"—benefits from AI while insulated from disruption via $900.6B Pentagon budget, security clearances, and mission-critical requirements [36, 35].

Top Opportunity: Robotics market 4x expansion in 7 years. Autonomous drone market $11.8B → $33.3B by 2030 [38]. Defense tech VC doubled to $17.9B; Anduril trajectory toward $50B+ [39].

Top Risk: Valuations stretched after strong Q1 runs. Cooling period possible in H2 2026 before next leg higher.

2.6 Venture Capital — Selective

	Short-Term	Mid-Term	Long-Term
Rating	**HOLD**	**HOLD**	Selective **BUY**

Metric	Value
Q1 2026 deployment	$300B (80% AI) [42]
LLM profit concentration	3 companies = 70% of decade profits [43]
LP DPI priority	60% demand cash, not markups [44]
Defense tech VC	$17.9B (doubled YoY) [39]
OpenAI valuation	$730B [45]

Thesis: Extreme concentration: 41% of all VC dollars went to just 10 startups. 3 LLM companies on track for 70% of decade profits. Most VC funds will underperform. Access to the very top is the only game. Defense tech ($17.9B doubled) and deeptech ($690B global) offer the best risk-adjusted returns. Counter-cyclical agrifoodtech ($16.2B, at trough) offers potential 2–4x from current vintage [42, 39, 47].

Top Opportunity: Defense tech is the most reliable VC subsector—government-insulated spending, $4.2B → $42.8B AI defense trajectory, 2–3 companies likely reach $50B+ scale. Secondary market (682% SPV surge) provides liquidity access to pre-IPO names [46].

Top Risk: In Scenario 3, 2024–2026 VC vintages become worst since 2000. OpenAI written down 50–70%. 60% LP DPI priority intensifies to 80%.

2.7 Fixed Income — Selective

	Short-Term	Mid-Term	Long-Term
Rating	Selective **BUY**	**BUY**	**BUY**

Metric	Value
AI-related IG issuance 2026	$300B+ [48]
DC-backed muni revenue (Loudoun)	$900M/yr [49]
Convertible issuance level	24-year high (50% AI) [50]
Oracle rating / CDS	BBB (CDS tripled) [51]
Private credit worst-case default	13% [52]

Thesis: Massive bifurcation. DC-backed munis (Loudoun template: $900M/yr from 10–20 year DC leases) are the best muni sub-sector. Hyperscaler IG (MSFT AAA, GOOGL AA+) offers fortress credit with AI upside. AI convertibles provide equity optionality with bond-floor protection. AVOID: leveraged loans at 1.83% spread (no cushion), SaaS-exposed high yield (SaaSpocalypse defaults), and Oracle (50/50 downgrade risk) [49, 51].

Top Opportunity: DC-backed munis become a core allocation. New "tech muni" sub-category with superior revenue visibility. By 2030, DC-rich jurisdictions become new AAA-equivalents in muni space [49].

Top Risk: Oracle fallen angel scenario would be largest in a decade, seismic for both IG and HY indices. Private credit 13% worst case = $200–400B losses [52].

2.8 Real Estate — Bifurcated

	Short-Term	Mid-Term	Long-Term
Data Centers	**BUY**	**BUY**	**BUY**
Office	**SELL**	**SELL**	**SELL**

Metric	Value
DC investment 2026	$650B+ [10]
Equinix 2026 revenue	$10.1–10.2B (60% AI-linked) [53]
DC land values	$5.38/sqft [54]
Office vacancy (national / SF)	18–22% / 30–35% [55]
AI warehouse adoption	90%+ [56]

Thesis: The most extreme sector-level divergence in modern real estate history. Data centers: 100GW buildout creates $1.2T in real estate value. Office: triple headwind of remote work + AI productivity (30% fewer knowledge workers) + capital reallocation to DCs is irreversible. 18–22% vacancy is permanent, not cyclical. Smart warehouses (90%+ AI adoption) command 15–25% rent premium; legacy warehouses face obsolescence [10, 55].

Top Opportunity: Equinix (first DC REIT to cross $10B revenue, 60% AI-linked deals). DC land with both grid access AND water rights commands extraordinary premium. Land near infrastructure corridors: $60K–$400K/acre from DC developers [53, 24].

Top Risk: Hyperscalers self-building may bypass DC REITs. In Scenario 3, DC overcapacity hits 15–25% vacancy and land premium drops 30–50%.

2.9 Equities: Healthcare

	Short-Term	Mid-Term	Long-Term
Rating	**HOLD**	**BUY**	**BUY**

Metric	Value
AI healthcare TAM by 2030	$868B [40]
Lilly Insilico deal	$2.75B [41]
AI R&D cost reduction	30–40% [40]
Clinical trial cost reduction	Up to 50% [40]

Thesis: AI is purely additive to healthcare—makes existing companies more productive without replacing the need for human medical judgment. The $868B TAM by 2030 is one of the largest AI opportunity sets in any sector (40x+ expansion from $20B in 2026). Drug discovery, precision medicine, robotic surgery, and diagnostics all transform. Pharma companies with early AI investment (LLY, REGN) compound pipeline advantages over multiple drug cycles [40, 41].

Top Opportunity: AI drug discovery: Lilly $2.75B Insilico deal + $1B NVIDIA partnership. Candidates identified in weeks vs years, trial costs cut 50%. Healthcare may become the largest beneficiary sector by long-term economic value created.

Top Risk: $868B TAM realization depends on regulatory approvals and clinical validation. AI drug discovery is early-stage with binary outcomes on individual programs.

2.10 Crypto / Digital Assets

	Short-Term	Mid-Term	Long-Term
AI tokens (TAO, RENDER)	Speculative **BUY**	**BUY**	Selective
Bitcoin	**HOLD**	**HOLD**	**BUY**
Stablecoins	**BUY**	**BUY**	**STRONG BUY**

Metric	Value
AI crypto sector market cap	$28B [57]
TAO revenue (Q1 2026)	$43.2M (REAL revenue) [58]
RWA tokenization on-chain	$26.4B (4x YoY) [59]
Stablecoin projection (2030)	$1.9–4T [60]
DePIN market cap	$9B [61]

Thesis: AI-crypto convergence materializing: TAO ($43.2M real revenue, Grayscale S-1 filed), RENDER (largest decentralized GPU pool with NVIDIA Blackwell integration), DePIN ($9B, 60–80% cheaper than centralized cloud for some workloads). Stablecoins are the most consequential development: Citi projects $1.9–4T by 2030, the most significant change to global monetary plumbing since the petrodollar. GENIUS Act provides regulatory clarity. AI agents projected 15–20% of DeFi volume by late 2026 [58, 60, 62].

Top Opportunity: Stablecoin infrastructure: each dollar backed 1:1 by USD/Treasuries, extending dollar hegemony digitally. At $1.9–4T, stablecoins become one of the largest Treasury holders globally. Bitcoin (79% store-of-value preference) benefits in both AI success (risk-on) and failure (safe haven) scenarios [63].

Top Risk: AI tokens carry 2–3x NVIDIA beta, creating 40–60% drawdown risk. In Scenario 3, AI tokens face 50–80% correction. Regulatory uncertainty persists outside stablecoins.

2.11 Currencies

	Short-Term	Mid-Term	Long-Term
USD	**HOLD**	**BUY**	**STRONG BUY**
EUR	**REDUCE**	**REDUCE**	**SELL**
EM (AI infra)	**HOLD**	Selective	Selective

Metric	Value
USD share of global AI funding	>80% [64]
EUR AI worker adoption gap vs US	11 percentage points [65]
Algorithmic FX share	∼89% [66]

Thesis: AI compute capacity = currency strength. Over 80% of global AI investment flows into US companies. The euro area faces an 11pp worker adoption gap that widens to 20pp by 2032, compounding to 10–20% EUR/USD depreciation over the decade. ∼89% algorithmic FX trading creates amplified moves (3–5% in hours vs weeks). Compute sovereignty blocs hardening around US-dollar, China-RMB, and EU-euro alignments [64, 65, 67].

Top Opportunity: Structural USD long. Stablecoins extending dollar hegemony digitally. Buy FX convexity (options); AI-driven moves are larger and faster than historical norms.

Top Risk: If AI narrative cracks (Scenario 3), USD weakens sharply as tech weight in the economy hurts. 89% algorithmic trading creates flash crash risk.

2.12 Alternatives (Carbon, AI Hedge Funds, Cat Bonds)

	Short-Term	Mid-Term	Long-Term
Carbon credits (high-quality)	**BUY**	**BUY**	**STRONG BUY**
AI hedge funds	**BUY**	**BUY**	**BUY**
Cat bonds / ILS	**BUY**	**BUY**	**BUY**
Collectibles	**HOLD**	**HOLD**	**HOLD**

Metric	Value
Big Tech carbon purchases	14K → 68.4M credits [68]
AI hedge fund alpha advantage	+4–7% vs non-AI [69]
Cat bond market	$61B [70]
CDR credit price / spot average	$180 / $5.6 [68]

Thesis: Carbon credits have a self-reinforcing AI demand loop: more AI → more energy → more emissions → more offset purchases. Big Tech purchases surged 4,886x. Quality premium widening: durable removal credits at $180 vs $5.6 average. AI hedge funds demonstrate +4–7% alpha, compounding as AI capabilities improve. Cat bonds ($61B) are the ONLY genuinely uncorrelated return stream across all four scenarios [68, 69, 70].

Top Opportunity: High-quality durable carbon removal credits—structural undersupply, 15–25% expected returns, AI-linked demand growth. Cat bonds provide 6–10% returns with zero equity correlation, becoming MORE valuable as other alternatives correlate with the AI cycle.

Top Risk: AI hedge fund winner-take-most dynamics mean most funds fail; only top-tier platforms (Citadel, Two Sigma, Point72) with $10B+ AI budgets maintain edge. Carbon credit regulatory uncertainty.

2.13 Private Equity — Transformation Period

	Short-Term	Mid-Term	Long-Term
Rating	**HOLD**	**BUY**	**BUY**

Metric	Value
AI PE deal value	$140.5B (3x YoY) [74]
AI-systematic PE ROIC advantage	2x [75]
Software buyer discount	20% [76]
Private markets total	∼$20T [78]

Thesis: AI-related PE deal value tripled to $140.5B. BCG data shows AI-systematic PE firms achieve nearly 2x ROIC. The 20% buyer discount on software companies (SaaSpocalypse aftermath) creates the generational buying opportunity for firms with AI transformation capability. The new "AI Operating Partner" role is the value creation lever for 2026–2030 vintages. $2T+ of PE-owned traditional software must either transform or be written down [74, 75, 76].

Top Opportunity: Software acquisition at 20% discount + AI transformation = best deals of the decade for firms with capability. AI Operating Partner formalized in 2026 creates 2–3 year advantage. Infrastructure PE (DCs as new real estate PE) is the largest growth segment.

Top Risk: Private credit 8–13% default scenarios in 2027–2028 vintages. $2T+ PE-owned software at risk from SaaSpocalypse. Only 7% of PE funds have achieved enterprise-scale AI deployment [52, 77].

2.14 Equities: Software / SaaS — AVOID Short-Term

	Short-Term	Mid-Term	Long-Term
Rating	**SELL**	Selective **HOLD**	Selective **HOLD**

Metric	Value
IGV (Software ETF) YTD	−21% [79]
Single-day erasure (Claude Cowork)	$285B [79]
IT budget reallocation to AI agents	40% [80]
Seat compression ratio	1 AI agent = 5 seats [81]

Thesis: The SaaSpocalypse is real: 40% of IT budgets reallocating from SaaS to agentic AI platforms. "Seat compression" (1 AI agent replaces 5 SaaS seats) is structural, not cyclical. Intuit −46%, Workday −40%, Adobe −36%, Atlassian −35%, Salesforce −33% from peaks. However, this Darwinian restructuring will produce an oligopoly of AI-integrated platforms by 2028–2030 (Microsoft Copilot, Salesforce Agentforce, Adobe Firefly). Survivors re-rate 3–5x from trough. The SaaSpocalypse of 2026 parallels the dot-com bust of 2001: destroys the weak, strengthens the strong [79, 82].

Top Opportunity: Selective mid-term: SaaSpocalypse survivors with AI-native pricing and proprietary data moats are a generational buying opportunity at current trough valuations (CRM, MSFT, ADBE).

Top Risk: 40% IT budget reallocation is ongoing. Companies without proprietary data, network effects, or regulatory moats face permanent irrelevance. Commodity SaaS is a value trap.

Chapter 3

The Rotation Map

3.1 Q2–Q4 2026: What to Buy NOW, Sell NOW, Watch

Theme: Capture the committed $690B capex wave.

Action	Positions
BUY NOW	Power infrastructure serving DC clusters (20+ year contracted cash flows) Liquid cooling companies (76% adoption, $4.75B CoolIT validates) Copper, uranium, silver (structural supply deficits) Nvidia at 20.2x forward P/E (compressed valuation) Industrial infrastructure (FIX, CAT, Eaton, Vertiv) DC-backed munis (Loudoun $900M/yr template) High-quality carbon removal credits
SELL NOW	Commercial office REITs (18–22% vacancy, vicious cycle) Generic SaaS without AI moat (IGV −21%) Leveraged loans at 1.83% spread Low-quality carbon avoidance credits Traditional active managers without AI capabilities
WATCH	Oracle BBB status (fallen angel or survivor?) Summer 2026 electricity demand peaks (grid constraint exposure) Helium crisis Q2 development (semiconductor cascade risk) Q2 hyperscaler earnings (capex confirmation/acceleration) SaaSpocalypse survivors for future entry points

Catalysts: Q2 hyperscaler earnings (capex confirmation), summer electricity demand peaks (grid exposure), Q3 sustainability reports (carbon commitments), semiconductor equipment orders.

3.2 2027–2028: Builders to Adopters

Theme: Rotate from infrastructure to AI-adopter equities as ROI materializes.

The rotation sequence: semis → power/energy → infrastructure REITs → enterprise AI adopters → consumer AI applications → AI-native vertical leaders.

Action	Positions
ADD	Healthcare equities (AI drug discovery entering Phase II/III) Small/mid-cap value (30% P/E discount closing) Post-SaaSpocalypse survivors at trough valuations Farmland (technology bifurcation widening) AI convertible bonds (maturing instrument class)
TRIM	Pure infrastructure plays (earnings growth moderating) Semiconductor memory (cyclical normalization H2 2027)
MONITOR	Private credit stress test (8% base, 13% worst case) Enterprise AI ROI data in earnings calls (rotation signal) AI IPO pipeline (OpenAI, Anthropic, xAI entering markets)

Key signal: When enterprise companies report measurable AI ROI in earnings calls, rotate from builders to adopters (likely H2 2027). Value stocks adopting AI for productivity gain margin expansion; utilities re-rated as growth stocks.

3.3 2029–2032: Long-Term Structural Positioning

Theme: Harvest the productivity dividend.

Core Holds	**Rationale**
Energy infrastructure	Nuclear contributing post-2030 (SMR deployment)
Farmland (AI-optimized Tier 1)	12–15% annualized appreciation
Defense equities and VC	$42.8B AI defense spending realized
Cat bonds / ILS	Uncorrelated in every scenario
Growth Additions	
Robotics equities	$94B → $373B market expansion
AI IPO names	New mega-caps entering public markets
Healthcare AI	$868B TAM materializing
Carbon credits (if compliance mandates)	Potentially $1T+ annual market by 2035

3.4 2033+: Four Scenarios at a Glance

Scenario	**Prob.**	**Best Asset**	**Worst Asset**
1. Supercycle	30%	AI infrastructure	Cash (opportunity cost)
2. Divergence	35%	Barbell: AI winners + diversifiers	Non-AI laggards
3. Bubble	25%	Treasuries, gold, farmland	AI infrastructure
4. AGI	10%	Physical assets (farmland, energy)	Digital pure-plays

What wins across all scenarios: Energy infrastructure, farmland, cat bonds, defense, copper/uranium, gold.

Chapter 4

Four Scenarios Summary

4.1 Scenario 1: AI Productivity Supercycle (30% Probability)

Narrative: AI delivers on productivity promises. $690B capex proves to be the opening investment in a transformation comparable to electrification. Enterprise AI ROI becomes measurable by 2028–2029. GDP growth accelerates to 3–4% sustained. 100GW pipeline materializes at 70–80GW. SMRs deploy commercially by 2031–2032. Commodity supercycle ($3T) plays out through 2030, then moderates. OpenAI IPO ($730B+) creates the defining liquidity event of the decade. S&P 500 reaches 10,000+ by 2032 [7].

Asset Class	Rating	Key Outcome
Infrastructure	STRONG BUY	70–80GW actual, $1.2T value creation
Energy/Utilities	STRONG BUY	Nuclear PPAs validated, growth re-rating
Commodities (Cu/U)	STRONG BUY	$3T supercycle delivers then moderates
Farmland	BUY	+5–8%/yr, AI ag delivers 120–150% ROI
Defense	BUY	$42.8B spending realized
Healthcare	BUY	$868B TAM materializes
Small Caps	STRONG BUY	30% P/E discount closes
Fixed Income	HOLD	DC munis strong, yields 3.0–3.5%
Software/SaaS	BUY	Survivors re-rate 3–5x from trough
Crypto	BUY	TAO revenue 10x+, stablecoins $1.9T

Verdict: Aggressive pro-growth. Maximum AI infrastructure exposure.

4.2 Scenario 2: The Great Divergence (35% — Base Case)

Narrative: AI benefits concentrate in US and China; rest of world falls behind. Euro area adoption gap widens from 11pp to 20pp by 2032. Within sectors, winners take most while losers are destroyed. Infrastructure buildout proceeds at 50–60GW (unevenly: Tier 1 scarcity, Tier 2 overcapacity). VC

returns show extreme dispersion—3 LLM companies capture 70% of profits. Social and political consequences from AI displacement create regulatory backlash in Europe, widening the gap further [7].

Asset Class	Rating	Key Outcome
Infrastructure (Tier 1)	STRONG BUY	Power scarcity in hubs, overcapacity elsewhere
Energy/Utilities	BUY	PPAs validated, mixed by geography
Commodities (Cu/U)	BUY	Strong in AI hubs, rare earth geopolitics
Farmland (AI-optimized)	BUY	AI tier appreciates; non-AI stagnates
Defense	BUY	Most reliable return generator
USD	STRONG BUY	Dominant (>80% AI flows)
Cat bonds	BUY	Uncorrelated = most valuable diversifier
Office RE	SELL	18–22% vacancy permanent
Generic software	SELL	Survivors win big, losers go to zero
EUR	SELL	11pp → 20pp gap, structural depreciation

Verdict: Barbell strategy. Concentrated in AI winners + genuine diversifiers.

4.3 Scenario 3: AI Bubble and Correction (25%)

Narrative: $690B capex proves massively overbuilt. By 2028–2029, hyperscaler earnings disappoint. $2–5T market cap correction hits tech equities. 100GW pipeline collapses to 30–40GW. Bond defaults spike: Oracle falls to high yield, private credit hits 13% worst case, $300B+ AI issuance faces mass downgrades. VC 2024–2026 vintages become worst since 2000. CRITICALLY: physical assets built do NOT disappear—the fiber optic parallel of 2001 applies. Power plants, data centers, copper serve the economy regardless. Patient capital buying distressed AI assets earns the best vintage returns of the next decade [7].

Asset Class	Rating	Key Outcome
Treasuries	STRONG BUY	Flight to quality, yields drop to 3%
Gold	STRONG BUY	Safe haven surge
Farmland	BUY	$4,350/acre RETAINS value (non-discretionary)
Cat bonds	BUY	Uncorrelated = most valuable allocation
Defense	HOLD	Government-backed, continues regardless
Physical commodities	HOLD	Deficits slow but don't reverse
AI infrastructure	REDUCE	Stranded assets, 30–50% repricing
DC REITs	SELL	15–25% vacancy, 40–60% decline
AI equities	SELL	$2–5T correction
VC (2024–26 vintage)	SELL	Worst since 2000
Private credit	SELL	13% defaults = $200–400B losses

Verdict: Defensive + physical assets + uncorrelated alternatives. Opportunistic distressed buying.

4.4 Scenario 4: Structural Transformation / AGI (10%)

Narrative: AGI or near-AGI arrives by 2030–2032, faster than consensus expected. Traditional valuation frameworks break down entirely. Physical assets become the only reliable stores of value because they are the inputs AGI requires—land, energy, water, copper, uranium. The "AI-to-atoms" thesis reaches its logical extreme: digital intelligence is nearly infinite, but the physical world remains finite. Currencies realign around compute sovereignty. Massive labor market restructuring within 2–3 years. UBI becomes necessary [7].

Asset Class	Rating	Key Outcome
Farmland	STRONG BUY	BEST single asset; AGI cannot create land
Energy infrastructure	STRONG BUY	100GW becomes 500GW+, every piece priceless
Copper / Uranium	STRONG BUY	Demand explodes, only reliable stores of value
Gold	STRONG BUY	Uncertainty hedge, surges
Water rights	STRONG BUY	Critical national resource
Collectibles (human art)	BUY	Human provenance premium SURGES
Cat bonds	BUY	Uncorrelated regardless
Software	SELL	AGI can write any software
Traditional equities	REDUCE	Valuation frameworks fail

Verdict: MAXIMUM PHYSICAL ASSETS. Own what cannot change—land, energy, water, food, precious metals.

4.5 Probability-Weighted Portfolio

Position	Weight	Scenario Robustness
Physical AI infrastructure	25%	Benefits in ALL 4 scenarios
Energy commodities (Cu, U, Ag)	15%	Structural in 3/4 scenarios
Farmland	10%	Resilient in ALL 4 scenarios
Defense / gov't-insulated	10%	Government-backed in ALL 4
AI infrastructure credit (DC munis, IG)	10%	Reliable in 3/4 scenarios
AI equities (concentrated leaders)	10%	Massive upside in Sc. 1, 2, 4
Cash / dry powder	10%	Correction buying in Sc. 3
Cat bonds / ILS	5%	Uncorrelated in ALL 4 scenarios
Gold	5%	Essential hedge for Sc. 3, 4

Chapter 5

Three Model Portfolios

5.1 Conservative Portfolio (Target 6–8% Annualized)

Asset	Weight	Rationale
High-quality US fixed income	25%	Vanguard #1 risk-adjusted asset [72]
DC-backed munis	10%	Loudoun $900M/yr template
Farmland	10%	All-scenario resilient
Energy infrastructure (private)	10%	10–15% IRR, contracted
Gold	10%	Correction hedge
Cat bonds / ILS	5%	Uncorrelated 6–10%
Hyperscaler IG bonds	10%	MSFT AAA, GOOGL AA+
Dividend equities (utilities, defense)	15%	Contracted cash flows
Cash	5%	Dry powder

Scenario sensitivity: Performs adequately in all four scenarios. Best in Scenario 3 (correction) due to bond/gold/cash allocation. Underperforms in Scenario 1 (supercycle) due to low equity weight. Probability-weighted return: **+5–7%**.

5.2 Balanced Portfolio (Target 9–12% Annualized)

Asset	Weight	Rationale
Physical AI infrastructure	15%	Power, cooling, connectivity
Energy commodities (Cu, U, Ag)	10%	$3T supercycle
AI equities (semis, energy, industrial)	15%	Rotation beneficiaries
Small/mid-cap value	10%	30% P/E discount
DC-backed munis + AI converts	10%	Credit with upside
Farmland	7%	All-scenario resilient
Defense equities + tech	5%	Government-insulated
AI hedge funds	5%	+4–7% alpha
High-quality carbon credits	3%	Self-reinforcing demand loop
Cat bonds / ILS	5%	Uncorrelated
Gold	5%	Hedge
International / EM	5%	Diversification
Cash	5%	Dry powder

Scenario sensitivity: Best risk-adjusted across all scenarios. Captures supercycle upside while maintaining correction hedges. Probability-weighted return: **+8–11%**.

5.3 Aggressive Portfolio (Target 15–20% Annualized)

Asset	Weight	Rationale
AI equities (concentrated top 10)	25%	Winner-take-most leaders
Physical AI infrastructure	20%	$7T buildout
Energy commodities (Cu, U, Ag)	15%	10MMT copper deficit
VC / growth equity (AI, defense)	10%	Pre-IPO exposure
AI crypto (TAO, RENDER, DePIN)	5%	2–3x NVIDIA beta
Small/mid-cap value	10%	30% P/E discount
Carbon credits (high-quality)	5%	14K → 68.4M trajectory
AI convertibles	5%	24-year high, equity upside
Cash	5%	Tactical buying

Scenario sensitivity: Exceptional in Scenarios 1 and 4 (supercycle/AGI). Severe drawdown risk in Scenario 3 (30–50% correction possible). Probability-weighted return: **+10–18%**.

5.4 Portfolio Performance by Scenario

Scenario (Probability)	Conservative	Balanced	Aggressive
1. Supercycle (30%)	+5–7%	+12–15%	+20–30%
2. Divergence (35%)	+6–8%	+9–12%	+12–18%
3. Bubble (25%)	+2–4%	−5–0%	−20 to −10%
4. AGI (10%)	+8–15%	+15–25%	+25–50%
Prob-weighted	**+5–7%**	**+8–11%**	**+10–18%**

5.5 Rebalancing Triggers

- **Position drift:** Rebalance when any position exceeds 2x target weight or falls below 0.5x.
- **Scenario signals:** Shift 5–10% defensive if two or more Scenario 3 signals appear (hyperscaler capex cuts, AI revenue disappointment, Oracle downgrade).
- **Rotation signal:** When enterprise companies report measurable AI ROI in earnings calls, rotate from builders to adopters (likely H2 2027).
- **Calendar:** Annual review of scenario probability assignments; adjust if base case shifts.

Chapter 6

The Risks

6.1 Top 10 Risks by Probability × Impact

#	Risk	Description	P × I	Positioning Response
1	**AI Capex Bubble**	$690B spend generates insufficient returns; capex cuts by 2028–2029	High	Maintain 10% cash. Own physical assets that retain value. Cat bonds as hedge.
2	**S&P 500 Concentration**	Mag7 at 35–40% weight creates index fragility; single stock shock cascades	High	Diversify beyond mega-caps. Small/mid-cap value. International exposure.
3	**Power Grid Failure**	Summer 2026 demand peaks expose grid constraints; brownouts in AI regions	Med-High	Overweight energy infrastructure and behind-the-meter generation.
4	**Private Credit Cascade**	8–13% defaults in PE-owned software; $200–400B losses	Med-High	Underweight private credit and leveraged loans. Prepare for distressed buying.
5	**Taiwan Geopolitical**	Semiconductor supply chain disruption; existential threat to AI buildout	Med-High	Diversify semi exposure to ASML, Micron. Gold and defense as hedges.
6	**AI ROI Disappointment**	90% of firms report no productivity impact yet (NBER); enterprise disillusionment	Medium	Rotate toward adopters showing real ROI. Avoid pure-hype positions.

#	Risk	Description	P × I	Positioning Response
7	**Helium Crisis Cascade**	Q2 2026 shortage constrains semiconductor production; AI buildout delayed	Medium	Monitor closely. Favor fabs with secured helium supply (TSMC, Samsung).
8	**Regulatory Backlash**	AI governance restricts deployment; antitrust breaks concentration	Medium	Diversify across geographies. Defense (government-aligned) as hedge.
9	**Oracle Fallen Angel**	BBB → HY downgrade seismic for IG and HY indices	Medium	Underweight Oracle credit. Prepare for index rebalancing opportunity.
10	**Correlation Convergence**	AI-adjacent assets becoming more correlated; "diversification" fails	Medium	Allocate to genuinely uncorrelated: cat bonds, farmland, collectibles.

6.2 Correlation Risk

Most AI-adjacent assets are becoming MORE correlated with each other, reducing diversification benefits [71]. True diversification requires genuinely uncorrelated assets:

	Semis	Energy	ILS	Wine
Semis	1.0	0.6	0.0	0.1
Energy	0.6	1.0	0.1	0.1
DC REITs	0.5	0.4	0.0	0.1
Carbon credits	0.4	0.3	0.0	0.0
ILS/Cat bonds	0.0	0.1	1.0	0.0
Wine/Luxury	0.1	0.1	0.0	1.0

Key insight: ILS and wine/luxury provide genuine diversification. Most AI-adjacent assets are correlated—portfolios need non-AI anchors to maintain diversification benefits.

6.3 Sector-Specific Risk Summary

Sector	**Key Risks**
Semiconductors	Custom silicon disruption, export controls, helium shortage, cyclical downturn
Software	Permanent seat compression, AI-native competitors, 40% IT budget reallocation
Energy	Nuclear regulatory delays, stranded gas assets if demand disappoints
Real estate (DC)	Hyperscaler self-builds bypassing REITs, overcapacity in secondary markets
Private credit	13% worst-case default cascade, off-balance sheet hidden leverage
Crypto	2–3x NVIDIA beta creating 40–60% drawdown risk
Currencies	89% algorithmic FX creates flash crash risk; amplification loops
VC	3 LLM companies = 70% of profits; most funds underperform

Chapter 7

Action Checklist

7.1 Immediate Actions (Q2 2026)

1. **Establish core infrastructure position:** Allocate to physical AI infrastructure (power generation, cooling, grid equipment). Target 15–25% portfolio weight depending on risk tolerance. Brookfield BAIIF, Blackstone DC portfolio, or public equities (Constellation, GE Vernova, Eaton, Vertiv).

2. **Build commodity exposure:** Copper (producers, streamers, recyclers), uranium (miners, physical trusts), silver. Target 10–15% portfolio weight. This is the highest-conviction trade across scenarios.

3. **Secure farmland allocation:** Nuveen REIT ($3B), FPI, or direct platforms (FarmTogether, AcreTrader). Target 7–10% portfolio weight. AI-optimized Tier 1 preferred.

4. **Exit commercial office:** Liquidate office REIT positions. Short if risk-tolerant. The triple headwind is irreversible.

5. **Exit generic SaaS:** Liquidate undifferentiated software positions. IGV remains toxic until survivors identified (likely H2 2027).

6. **Buy DC-backed munis:** Loudoun County template. 10–20 year DC lease commitments exceed most muni revenue stability.

7. **Initiate cat bond allocation:** 5% portfolio weight. Genuinely uncorrelated in all four scenarios. $61B market with 6–10% returns.

8. **Accumulate gold:** 5% as portfolio hedge. Goldman target $4,900/oz. Wins in Scenario 3 and 4.

9. **Review leveraged loan exposure:** 1.83% spread offers zero cushion. Exit positions in software-exposed leveraged buyout credits.

10. **Accumulate Nvidia selectively:** 20.2x forward P/E is cheaper than Coca-Cola. Position sizing appropriate to conviction level.

7.2 6-Month Actions (Q3–Q4 2026)

1. **Evaluate summer grid stress:** If electricity demand peaks expose grid constraints, INCREASE energy/infrastructure allocation; DECREASE semi allocation.
2. **Monitor Oracle credit:** If CDS widens further, prepare for fallen angel scenario and index rebalancing.
3. **Assess helium crisis resolution:** Binary outcome affects entire semiconductor production timeline. Favor TSMC/Samsung if unresolved.
4. **Review Q2/Q3 hyperscaler earnings:** Capex confirmation = stay the course. Capex cuts = shift toward Scenario 3 defensive positioning.
5. **Begin carbon credit allocation:** 3–5% portfolio. High-quality durable removal credits only (CDR at $180/credit). Q3 sustainability reports provide buying catalyst.
6. **Initiate AI hedge fund allocation:** 5% to top-tier multi-strategy platforms (Citadel, Millennium, Point72 or equivalents). Demonstrated AI alpha required.
7. **Monitor SaaSpocalypse survivors:** Begin watchlist for selective mid-term entry (CRM Agentforce, ADBE Firefly, MSFT Copilot). Do NOT buy until business model restructuring evidence appears.
8. **Evaluate defense tech VC:** If capacity allows, 5–10% of alternatives allocation to defense tech VC. $4.2B → $42.8B trajectory with government insulation.

7.3 Annual Review Framework

Review Item	**Action Trigger**
Scenario probabilities	Reassign based on macro data, hyperscaler earnings, enterprise AI ROI evidence. If Scenario 3 probability rises above 35%, shift 10% to defensive.
Rotation phase	Track Phase 1 $\rightarrow$ 2 $\rightarrow$ 3 rotation. When enterprise AI ROI materializes in earnings, rotate from builders to adopters.
Correlation monitoring	If AI-adjacent asset correlations exceed 0.7, increase uncorrelated allocation (cat bonds, farmland, collectibles).
Commodity cycle phase	Track supercycle phase (acute shortage $\rightarrow$ full intensity $\rightarrow$ moderation). Adjust commodity weights accordingly.
Private credit health	Monitor default rates quarterly. If approaching 8%+, exit private credit; prepare distressed buying capability.
Technology milestones	SMR deployment timeline, AGI capability signals, quantum computing progress. Adjust long-term positioning.

Appendix A

Key Statistics: 30 Most Important Numbers

#	Statistic	Value
1	Hyperscaler capex 2026	$690B+ [3]
2	Brookfield AI infra estimate (10yr)	$7T [1]
3	Total energy infra needed (through 2040)	$23T [9]
4	Copper deficit by 2040	10MMT [16]
5	DC buildout planned / likely actual	100GW / 50–70GW [10]
6	PJM capacity price increase	+800% [11]
7	Grid connection queue	4+ years [12]
8	Construction worker deficit	439,000 [13]
9	Uranium spot price	$100+/lb [17]
10	Silver spot price (YoY change)	$80+ (+170%) [18]
11	Nvidia forward P/E	20.2x [83]
12	Mag7 forward P/E (vs dot-com 60x+)	∼26x [84]
13	Farmland average price	$4,350/acre [22]
14	DC farmland offers	$60K–$400K/acre [24]
15	OpenAI valuation	$730B [45]
16	LLM profit concentration	3 cos = 70% [43]
17	AI defense spending trajectory	$4.2B → $42.8B [36]
18	Robotics market (2026 / 2033)	$94B / $373B [35]
19	Healthcare AI TAM by 2030	$868B [40]
20	Stablecoin projection (2030)	$1.9–4T [60]
21	AI-related IG issuance 2026	$300B+ [48]
22	Loudoun County DC tax revenue	$900M/yr [49]
23	Office vacancy (national / SF)	18–22% / 30–35% [55]
24	VC Q1 2026 deployment (AI share)	$300B (80%) [42]

#	Statistic	Value
25	AI PE deal value	$140.5B (3x) [74]
26	Big Tech carbon purchases	14K → 68.4M [68]
27	Cat bond market	$61B [70]
28	AI hedge fund alpha advantage	+4–7% [69]
29	Algorithmic FX share	∼89% [66]
30	Private markets total	∼$20T [78]

Acknowledgement

Research and writing assisted by Claude Opus 4.6.

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