



Wedgewood Partners Third Quarter 2025 Client Letter

If You Build It, Will They Come?

"Oracle's stock jumped by 25% after being promised \$60 billion a year from OpenAI, an amount of money OpenAI doesn't earn yet, to provide cloud computing facilities that Oracle hasn't built yet, and which will require 4.5 GW of power (the equivalent of 2.25 Hoover Dams or four nuclear plants), as well as increased borrowing by Oracle whose debt to equity ratio is already 500% compared to 50% for Amazon, 30% for Microsoft and even less at Meta and Google. In other words, the tech capital cycle may be about to change."

Michael Cembalest, J.P. Morgan Asset Management

INDESTRUCTIBLE...INDESCRIBABLE...IT CANNOT BE STOPPED!

THE DATA CENTER BLOB!

A cartoon illustration depicting a monstrous, grey, multi-story building with a face, representing a data center. The building has a large, open mouth and is consuming a thick bundle of black power lines. In the foreground, three people (two men and one woman) are shown in a state of shock and fear, looking up at the building. The background is a fiery orange and yellow sky with power lines stretching across the scene.

STRAINED POWER GRIDS!

HIGHER NIGHTTIME LOADS!

HARMONIC DISTORTION DAMAGING EQUIPMENT AND APPLIANCES!

HIGHER POWER PRICES!

SOARING PJM CAPACITY PAYMENTS!

RAPID DEPRECIATION OF CHIPS AND INTERCONNECTS!

Starring **AMAZON WEB SERVICES MICROSOFT AZURE GOOGLE CLOUD META**

Produced by **EQUINIX DIGITAL REALTY TURNER CONSTRUCTION DPR CONSTRUCTION**

Directed by **OPENAI ANTHROPIC XAI** Financed by **BLACKSTONE DIGITAL BRIDGE SAUDI INVESTMENT FUND**

Based on an original 2017 paper "ATTENTION IS ALL YOU NEED" by **GOOGLE BRAIN RESEARCH**

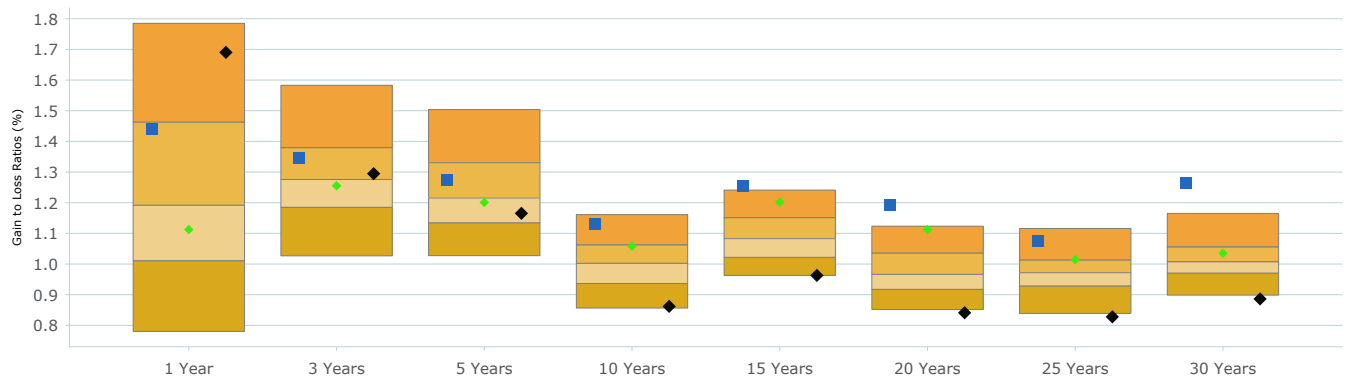
Source: Michael Cembalest. J.P. Morgan Asset Management.

Review and Outlook

	<u>3Q</u>	<u>YTD</u>	<u>1-Year</u>	<u>3-Year</u>	<u>5-Year</u>
Wedgewood Composite Net	5.9	6.2	12.1	23.1	14.4
Standard & Poor's 500 Index	8.1	14.8	17.6	24.9	16.5
Russell 1000 Growth Index	10.5	17.2	25.5	31.6	17.6
Russell 1000 Value Index	5.3	11.7	9.4	17.0	13.9
	<u>10-Year</u>	<u>15-Year</u>	<u>20-Year</u>	<u>25-Year</u>	<u>30-Year</u>
Wedgewood Composite Net	14.1	13.7	11.2	8.9	12.3
Standard & Poor's 500 Index	15.3	14.6	10.9	8.4	10.5
Russell 1000 Growth Index	18.8	17.4	13.3	8.6	11.1
Russell 1000 Value Index	10.7	11.2	8.2	7.7	9.3i

Manager vs Universe: Gain to Loss Ratio

As of June 2025



	1 YEAR	3 YEARS	5 YEARS	10 YEARS	15 YEARS	20 YEARS	25 YEARS	30 YEARS
Median	1.19	1.28	1.22	1.00	1.08	0.97	0.97	1.01
■ Wedgewood Large Cap Focused Growth	1.44	1.35	1.27	1.13	1.25	1.19	1.07	1.27
◆ Russell 1000 Growth	1.11	1.26	1.20	1.06	1.20	1.11	1.01	1.04
◆ S&P 500	1.69	1.29	1.17	0.86	0.96	0.84	0.83	0.89
Valid Count	771.00	763.00	732.00	634.00	532.00	408.00	268.00	145.00

Source: PSN Large Cap Manager Database. Data calculated for managers on gross-of-fee return basis. Past performance is no guarantee of future results. Future results may differ materially from past results. Please see additional disclosures on page 16.

i. Portfolio returns and contribution, expressed as percentages, are calculated net of fees. Contribution to return calculations are preliminary. Returns are presented net of fees and include the reinvestment of all income. "Net (actual)" returns are calculated using actual management fees and are reduced by all fees and transaction costs incurred. Past performance does not guarantee future results. Additional calculation information is available upon request.

Q3 Top Contributors		
	Avg. Wgt.	Contribution to Return
Alphabet	7.18	2.41
Taiwan Semiconductor Manufacturing	8.73	1.91
Apple	6.52	1.49
United Rentals	3.97	0.96
O'Reilly Automotive	3.32	0.62

Q3 Bottom Contributors		
PayPal	6.28	-0.58
CDW	3.72	-0.39
Booking Holdings	5.92	-0.39
Copart	4.20	-0.38
Old Dominion Freight Line	2.51	-0.31

Top performance contributors for the third quarter include Alphabet, Taiwan Semiconductor Manufacturing, Apple, United Rentals and O'Reilly Automotive. Top performance detractors for the quarter include PayPal, CDW, Booking Holdings, Copart and Old Dominion Freight Line.

During the quarter we twice trimmed Taiwan Semiconductor Manufacturing.

Alphabet was a top contributor to portfolio performance during the quarter, as the Company's AI initiatives are driving strong growth in their advertising and cloud computing businesses. Furthermore, the U.S. Department of Justice proposed final remedies on Google's online search monopoly that were less severe than Wall Street's worst-case scenarios. This development allowed the forward earnings multiple to expand, bringing it more in line with the overall stock market. Alphabet's core Google search business saw a +12% increase in revenues, thanks in part to its relatively new search results page feature, "AI Overviews," which reaches over 2 billion users.

AI queries place tremendous strain on computing infrastructure, as we have heard from private AI-labs, particularly OpenAI. It is therefore a remarkable achievement that Alphabet, a company at the forefront of AI hardware and software development for over a decade, possesses the infrastructure to seamlessly roll out such an indispensable service to its users, while putting up record returns on invested capital for shareholders. For example, Alphabet carried a cumulative \$300 billion of gross property plant and equipment, plus capitalized leases, at the end of 2024, up almost \$170 billion from five years earlier. Remarkably still, the Company now generates over \$115 billion in annual gross cash flows, up from \$48 billion five years ago. Alphabet has long been able to convert massive capex spending into highly attractive cash flow returns. This is one of the primary proof points as to why we are confident that not all large AI industry capex spending budgets necessarily will lead to over-

spending. But, again, Alphabet has had many years' head-start to build this data center capacity relative to the current, still unprofitable "neo-clouds" and emerging AI labs.

Meta Platforms also has a large, installed data center footprint and has expanded dramatically over the past several years. While the stock was not a top performer during the quarter, it has been a top performer year to date. The Company finished 2024 with over \$200 billion in gross property plant and equipment and capitalized leases, up \$135 billion from five years earlier. Yet it managed to take annual gross cash flows from \$29 billion in 2019 to \$82 billion in 2024. These capex investments have yielded astonishingly returns. The Company has been cloud-native for over a decade and also incepted one of the most important software libraries used by most AI labs today (PyTorch). The hardware and software infrastructure ecosystem within Meta Platforms and the returns on those investments have proven that Meta is hardly speculative with its large long-term spending plans.

Microsoft has also spent quite heavily on capex over the past several years, having stood up more than 2 gigawatts of data center capacity over the past 12 months alone, yet it has also produced very attractive cash flow returns. It exited its fiscal 2025 with almost \$370 billion in gross property plant and equipment and capitalized leases, up a remarkable \$260 billion from fiscal 2020. Meanwhile, gross cash flow grew from \$60 billion a year in 2020 to more than \$140 billion per year in 2025. When we add in the rest of the assets on Microsoft's balance sheet, we calculate its gross cash flows to be a consistent returns on capital in the high 20s. That is an extraordinary attractive return for such massive amounts of investing.

Not all AI companies are created equal though. We own three large, entrenched Companies managing to employ a staggering amounts - hundreds of billions - of capital at over +20% returns; it makes sense that more capital wants to come into the system to compete for those returns. However, the infrastructure that drives these business models has been built over decades of trial and error, sweat and innovation, courtesy of a combined \$480 billion in R&D over just the past five years. In everything from software frameworks to custom silicon, they have a tremendous head start and a well-worn path of execution.

Taiwan Semiconductor Manufacturing Company was also a leading contributor to performance during the third quarter (as well as the past few years). Approximately 60% of the Company's revenue is generated from manufacturing AI and high-performance computing (HPC) chips for leading semiconductor design companies, including Nvidia, Apple, Broadcom, Meta, Amazon and Alphabet. The Company offers the most manufacturing capacity at leading-edge nodes, a capability in high-demand as it enables customers to design more power-efficient chips against a backdrop of increasingly power-constrained data centers. The Company's execution over the past several years has been nearly flawless, providing its customers with significant benefits in planning multi-year road maps that the entire IT industry is now adopting. The stock recently re-rated higher, exceeding our 10% maximum portfolio weight. As a result, we slightly trimmed our positions during the quarter.

Wall Street sees years of near-uninterrupted growth in all things AI. We in turn, expect plenty of bumps and potholes along the way. Our AI-related holdings (Alphabet, Meta Platforms,

Microsoft and Taiwan Semiconductor Manufacturing) have been almost exclusively our best performing stocks in our portfolios over the past few years. So much so, that with rare exception, we've been net-trimmers of these stocks.

PayPal Holdings was a leading detractor in portfolios during the third quarter despite growing earnings per share +18% and growing adjusted transaction margin dollars +8%. The Company saw double-digit growth in their Venmo-branded revenue as they further expanded their monetization initiatives with merchants and consumers, including Pay With Venmo and the Venmo Debit Card. In addition, the Company has negotiated better economics with its high-volume processing segment, Braintree, which we expect should help accelerate revenue growth later this year and into 2026. Shares continue to trade at depressed multiples as the market has rotated into AI-focused tech and cryptocurrency-related financials. PayPal is being prudent with its investments in both those emerging areas of commerce, partnering with Google in agentic commerce solutions, and also expanding issuance and acceptance of PayPal U.S. dollar stablecoin.

Booking Holdings also detracted from performance during the quarter. Revenues grew +16% and earnings per share were up +32% on strong room night growth in its ex-U.S. markets. The Company derives over +60% of its bookings from travelers who go directly to the booking.com app or website. This has freed up advertising cash flow to reinvest in distribution across search engines, social media, and now agentic commerce through OpenAI's "Operator." Booking's focus on fragmented hotel suppliers in ex-U.S. markets is quite differentiated, so much so that it has allowed it to amass scale in areas that competitors simply have trouble reaching. The Company's obsessive focus on generating attractive returns from advertising has also been a key driver of its success, and that should continue to be beneficial to shareholders, regardless of the marketing channel consumers choose.

CDW detracted from performance during the quarter as the market has yet to perceive CDW as an "AI winner." The Company's revenues grew +10% while adjusted operating income grew just +2%. CDW's core small business customers are in the nascent stages of updating their IT stacks to be more AI-friendly, including moving many of them to the cloud, plus updating their network and edge devices, which have been neglected since the large buildout related to COVID-19 policies. Many small businesses are hesitant to hire dedicated IT professionals to help with their IT infrastructure. CDW is instrumental for these countless companies. As AI value propositions inevitably trickle down to small businesses, we expect CDW will play an important role for both customers and AI vendors in implementing these solutions.

Copart detracted from performance despite +12% growth in gross profit dollars and a +24% increase in earnings per share. The stock underperformed, as investors have been concerned of late about the decline in unit volume from Copart's U.S. insurance customers. Copart's price per unit sold was up +6%, despite used car price indexes, which have been mostly flat for the past year. The volume share loss is related to its one largest duopoly competitor, which has aggressively reached for market share at one of the largest U.S. insurers (Progressive Corp.). We expect such share loss to normalize as Copart continues to invest in industry-leading auction liquidity. Copart also has nearly \$5 billion in net cash on its balance

sheet, relative to just over \$40 billion in market cap and a multiple that has become increasingly more attractive relatively and historically to the stock market. The Company can significantly improve returns if it deploys this excess capital into share buybacks.

If You Build It, Will They Come?

Artificial Intelligence (AI) stocks long continue to be darlings of Wall Street. The enormity of the AI ecosystem, in terms of revenues, earnings and cash flow, has buoyed the superlative outperformance of so many AI stocks, yet, to try to grasp the ever-growing forecasts of trillions in the necessary infrastructure to support the current insatiable demand does give an investor pause the grasp it all – particularly given how crowded the “AI trade” has become.

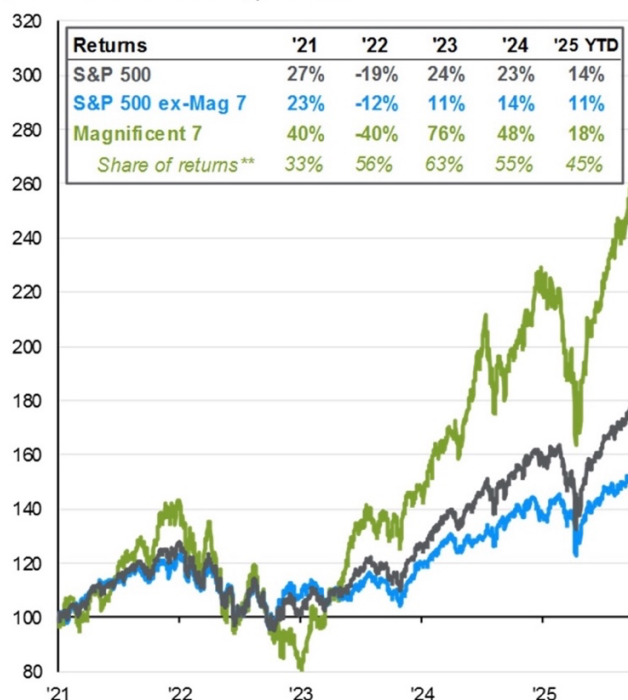
Is Concentration Making These Indices The Same?
The Top Eight Stocks In Both the S&P 500 and NASDAQ 100 Are the Same
 October 7, 2025

Name	Market Cap	Weight	Name	Market Cap	Weight
S&P 500 INDEX	\$59,818,754,231,355	100%	Nasdaq-100 Index	\$32,277,405,790,286	100%
NVIDIA Corp	\$4,580,792,866,516	7.66%	NVIDIA Corp	\$4,581,249,678,040	14.19%
Microsoft Corp	\$3,912,818,963,379	6.54%	Microsoft Corp	\$3,911,927,019,709	12.12%
Apple Inc	\$3,811,605,713,253	6.37%	Apple Inc	\$3,811,011,970,843	11.81%
Alphabet Inc	\$3,010,217,512,062	5.03%	Alphabet Inc	\$3,010,091,369,637	9.33%
Amazon.com Inc	\$2,364,730,913,702	3.95%	Amazon.com Inc	\$2,364,890,880,875	7.33%
Meta Platforms Inc	\$1,786,986,784,291	2.99%	Meta Platforms Inc	\$1,787,036,922,857	5.54%
Broadcom Inc	\$1,591,384,842,732	2.66%	Broadcom Inc	\$1,592,168,973,228	4.93%
Tesla Inc	\$1,490,931,474,927	2.49%	Tesla Inc	\$1,491,363,456,352	4.62%
Total	\$22,549,469,070,864	37.70%	Total	\$22,549,740,271,539	69.86%

Source: S&P Global

Performance of “Magnificent 7” stocks in S&P 500*

Indexed to 100 on 1/1/2021, price return



Source: J.P. Morgan Asset Management

Returns, earnings, capex/R&D growth and contributions of AI-related stocks in the S&P 500 since ChatGPT launch

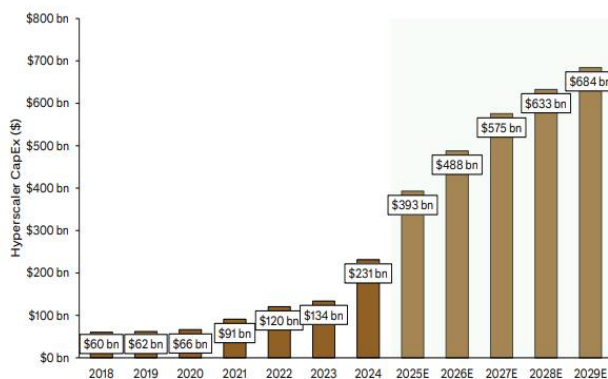
	AI: Direct	AI: Utilities	AI: CapEquip	S&P 500 ex-AI
<i>Performance since November 2022</i>				
Price return	181%	65%	138%	25%
Earnings growth	124%	15%	58%	9%
EBIT growth	98%	11%	71%	16%
Capex + R&D growth	63%	21%	-14%	4%
<i>Contributions to S&P 500 since November 2022</i>				
Price return	75%	0.9%	0.9%	23%
Earnings growth	79%	0.5%	0.8%	20%
EBIT growth	62%	0.4%	0.9%	36%
Capex + R&D growth	90%	2%	-0.1%	8%

Source: Bloomberg, JPMAM, September 22, 2025

The new, news during the quarter was the almost unbelievable, near-parabolic increases of forecasts and circular deal press releases of AI infrastructure spending over the next few years. In addition, the current demand for all forms of AI continues to exceed supply, as well as the ever-increasing announcements of funding with creative capital as organic generated cash flow funding increasingly fails to cover AI project funding.

Figure 5. We forecast \$2.8T (v. \$2.3T prior) in hyperscaler capex through 2029...

Hyperscaler capital expenditures (\$, bn)

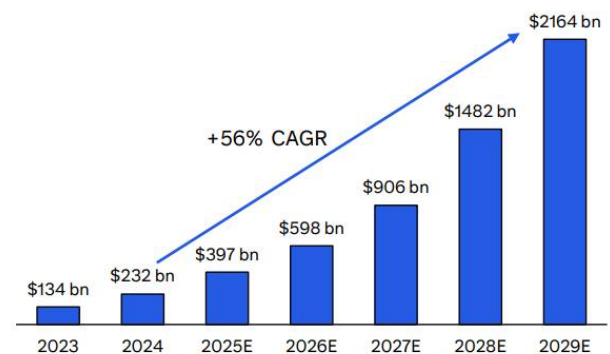


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Amazon and Microsoft capex estimates reflect AWS and Azure estimates only, respectively. Google and Meta reflect total reported capex.

Source: Citi Research

Figure 6. ... and \$5.5T in global capex over the same period, representing a 56% 5-yr CAGR

Global capital expenditures related to AI infrastructure investment (\$, bn)



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Includes neoclouds, sovereign and other private investment

Source: Citi Research

Circa 2025, it seems the more audacious the blockbuster AI spending plans, the more the stock market rewards those individual stocks – but please don't hold your breath for this to be a long-term bullish trend.

However, we more than worry about the prospect of turning these once “capex-light” technology companies into remarkably heavy capex-heavy companies, with concomitant heavier-debt laden balance sheets that will no doubt redefine the AI industry from the current, seemingly unstoppable investor enthusiasm, into one of more inherent cyclicity – even more so in the future as GPUs are depreciating much faster than earlier assumed. GPUs are most often amortized/depreciated over three to five years. These schedules are beginning to collide with Nvidia's desire to release next-generation GPUs *every year*. Once the burdens of years of such spending inevitably weigh on the growth of earnings and cash flow due to the soon-to-follow enormous depreciation and amortization expenses that will weigh on the income statement, we suspect investors will demand much more confidence in future return on investment. (Note: Past years of gigantic capex spending have already started to inflate the D&A accounts.)

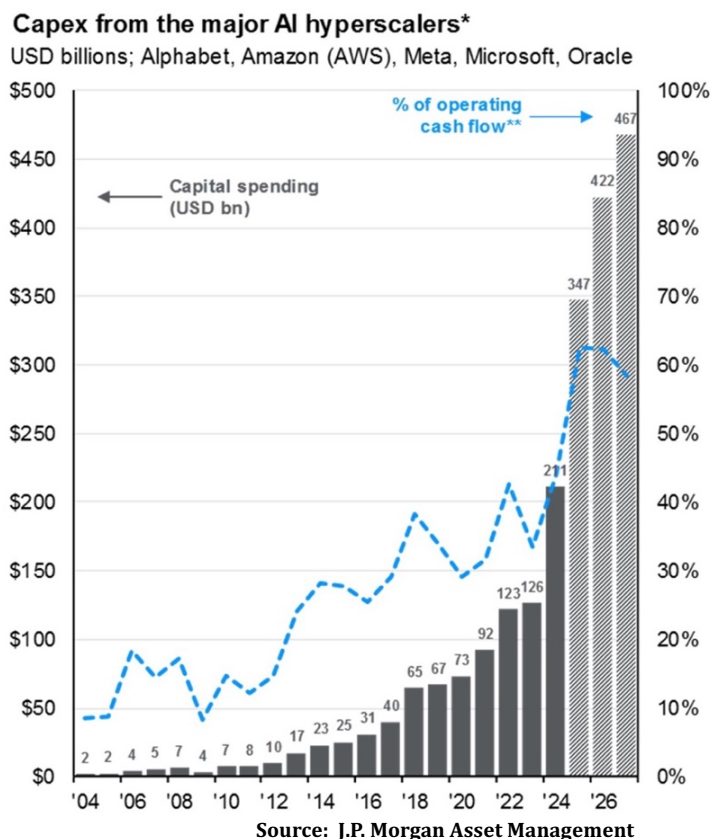


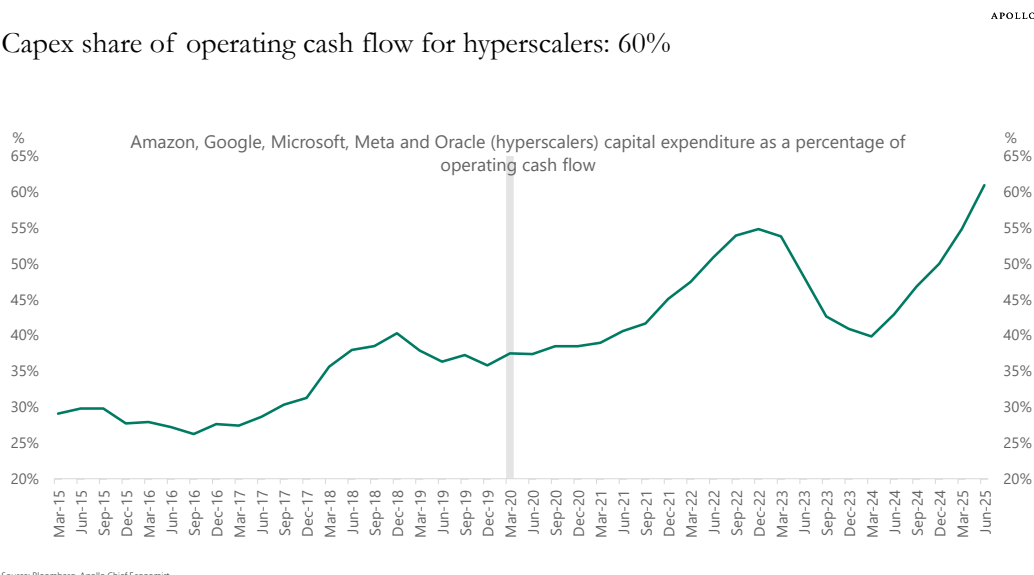
Chart 4: Hyperscaler capex/cash flow reached 72% in Q2'25

Capex, % of operating cash flow - AI hyperscalers



So much of the past capital expenditures and research and development spending in big-cap technology companies have been largely from internally generated cash flows. Certainly, some debt has been taken out over the years, but it has not resulted in stretched balance sheets. That has begun to change. AI has become a credit story too. Bloomberg reports over \$157 billion in new debt has been raised by tech companies this year alone. The prospect of trillions (if not just hundreds of billions) needing to be spent in the future will not be covered by cash flow. Relatedly, Bain & Co. recently reported that current forecasts of \$500 billion in AI capex spending by 2030 would require \$2 trillion in annual revenues, which they predict will leave a global shortfall of \$800 billion to meet the anticipated demand for AI services. Again, such numbers defy analytical comprehension, but AI stocks trade on such galactic assumptions. To fill such financing gaps, AI companies must soon become best friends of the debt markets.

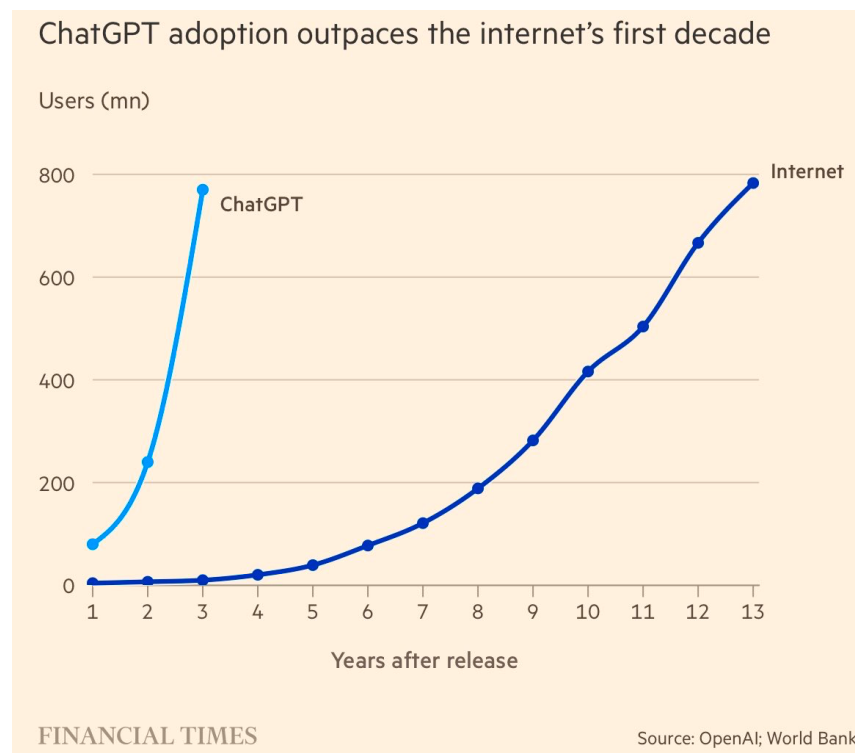
Capex share of operating cash flow for hyperscalers: 60%



OpenAI (ChatGPT) lies at the center of the enormous need for trillions in new capital. The hyperscalers are largely tapped out funding their respective capex for Nvidia GPUs and their datacenter buildouts. Nvidia themselves has now become the “funder of last resort.” Needless to say, the future AI ecosystem will require different business models with different capital structures.

Consider just a few of the more recent AI headline shockers:

- Nvidia has committed \$100 billion to OpenAI to build an additional 10 gigawatts of AI computing capacity. (Note: The Hoover Dam has the capacity to produce 2 gigawatts of power. 1 gigawatt power plant can power over 875,000 homes.)
- Meta Platform’s is building one of the world’s largest data centers in Louisiana. This \$10 billion, 70 football-field goliath is expected to consume as much power in a single day as New Orleans consumes at summer peak.
- OpenAI’s Sam Altman: *“OpenAI started the year at around 230 megawatts of capacity and is on track to exit 2025 north of 2 gigawatts of operational capacity. OpenAI’s audacious long-term goal is to build 250 gigawatts of capacity by 2033.”*



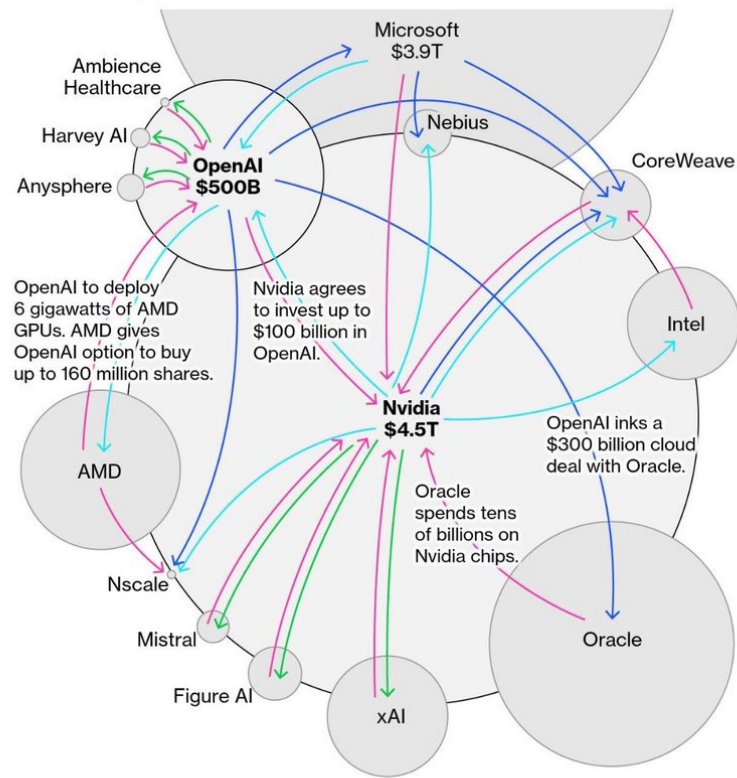
Legend:

- Customer
- - - Revenue Share
- ... Investor
- . - Repurchase Agreement
- Vendor Financing/Favorable Terms

Diagram Data:

- OpenAI to Oracle:** \$300 bn⁽¹⁸⁾ (Vendor Financing/Favorable Terms)
- OpenAI to Microsoft:** \$5.8 bn⁽²⁰⁾ (Revenue Share)
- OpenAI to Coreweave:** \$13 bn⁽¹²⁾ (Revenue Share)
- OpenAI to AMD:** \$0.69 bn⁽¹⁶⁾ (Revenue Share)
- OpenAI to Nvidia:** \$0.35 bn⁽²¹⁾ (Revenue Share)
- OpenAI to Data Center Lease:** \$22.4 bn⁽¹⁹⁾ (Revenue Share)
- Oracle to Microsoft:** \$106.4 bn⁽⁸⁾ (Revenue Share)
- Oracle to Coreweave:** \$0.75 bn⁽⁹⁾ (Revenue Share)
- Oracle to AMD:** \$34 bn⁽²²⁾ (Revenue Share)
- Oracle to Nvidia:** TBD⁽⁶⁾ (Revenue Share)
- Microsoft to Coreweave:** \$82.7 bn⁽¹⁴⁾ (Revenue Share)
- Microsoft to AMD:** \$33 bn⁽¹³⁾ (Revenue Share)
- Microsoft to Nvidia:** \$12 bn⁽¹⁰⁾ (Revenue Share)
- Microsoft to Data Center Lease:** \$7.1 bn⁽⁵⁾ (Revenue Share)
- Coreweave to AMD:** \$1.3 bn⁽⁴⁾ (Revenue Share)
- Coreweave to Nvidia:** \$6.3 bn⁽³⁾ (Revenue Share)
- Coreweave to Data Center Lease:** \$34 bn⁽¹¹⁾ (Revenue Share)
- AMD to OpenAI:** \$TBD bn⁽²²⁾ (Revenue Share)
- AMD to Oracle:** \$TBD bn⁽¹⁷⁾ (Revenue Share)
- Nvidia to OpenAI:** \$100 bn⁽³⁾ (Revenue Share)
- Nvidia to Coreweave:** \$2.9 bn⁽²⁾ (Revenue Share)
- Data Center Lease to OpenAI:** \$14.5 bn⁽²⁰⁾ (Revenue Share)

Hardware or Software Investment Services Venture Capital
Circles sized by market value



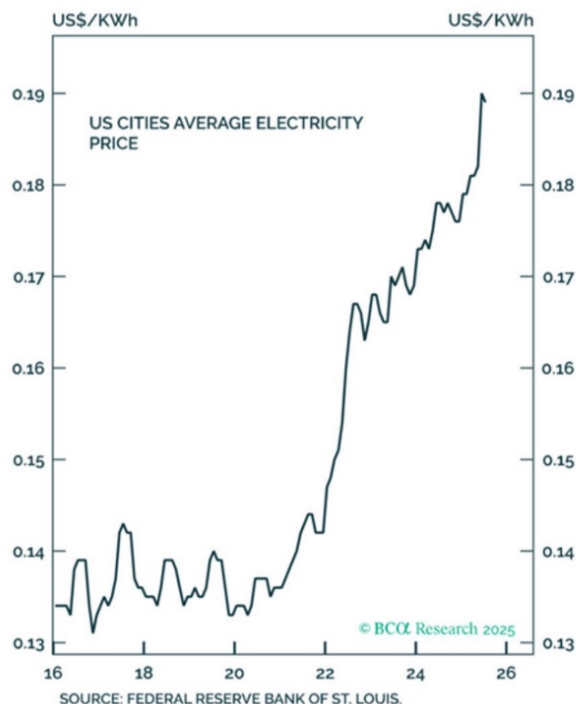
Bloomberg

According to UnCover Alpha:

Another concerning sign for me is that debt financing has started to roll in in these deals. We just got information on \$20 billion financing for xAI, where the \$20 billion is provided by an SPV. Of that \$20 billion, \$12.5 billion is debt and \$7.5 billion is capital, with Nvidia contributing \$2 billion of the \$7.5 billion. xAI will then rent those chips from the SPV for 5 years, where the GPUs act as collateral. Meta has also raised \$29 billion for a data center recently, with \$26 billion of that \$29 billion being debt, and that data center is expected to be the collateral. Oracle has also completed a \$38 billion debt raise. Hyperscalers like Microsoft and others are going to the neoclouds. Nebius has signed a \$17.4 billion (potentially expandable to \$19.4 billion) deal with Microsoft. Looking at the deal, debt is in play again:

Most critically, they have also befriended (or at least are mightily trying to) state and local government politicians and related utility regulators as gigantic data centers have begun to swamp ancient utility grids. Make no doubt about it, both state utility regulators and state-level politicians will play a key role in the growth, or lack thereof, plus the burgeoning power cost of data center buildouts. Power is the bottleneck. (In the longer future, water too.) Technology companies have long dealt with federal-level regulators and politicians (and presidents). That skill set, perhaps not a true “skill,” but perhaps more of an “experience,” better become a poignant skill as Silicon Valley rolodexes have become crowded with the local and state level too.

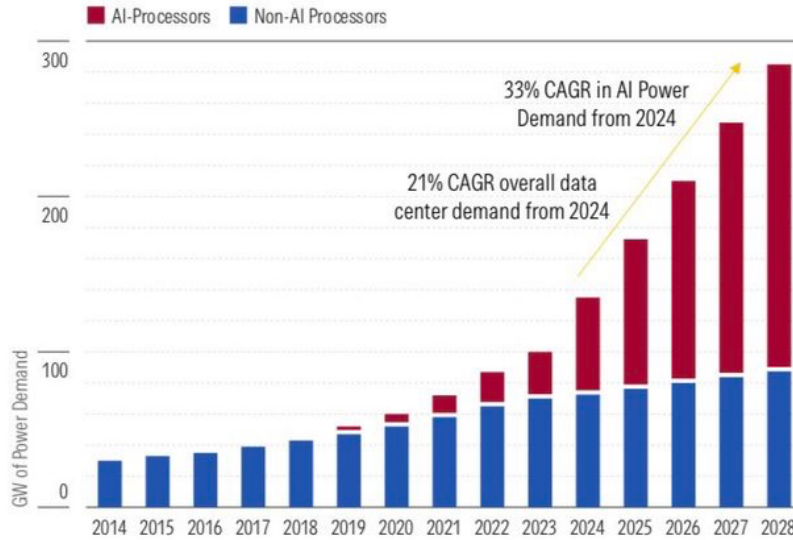
For some more hard-to-believe context, according to Saber Capital Management, “The U.S. currently uses approximately 4,000 terawatts (1000 gigawatts) of power annually. Industry forecasts of roughly 1,600 TWh (and ever increasingly forecasted to increase nearly daily these days) demand estimate means future global datacenter power would be akin to 40% of the entire US electricity usage.” Easy forecast: Politics will most likely play a key role, more than ever, in the AI future. No new giga-terawatts, no new AI.



Government and industry forecasts indicate an explosive rise in data center power demand, driven by AI workloads. AI is set to create an entirely new data center ecosystem, creating massive demand tailwinds across the technology sector. The DOE projects AI-specific demand compounding at 33% annually, well above historical trends.

US Department of Energy, Data Center Power Demand Forecast

AI servers are estimated to consume more power than non-AI servers by 2025-26.

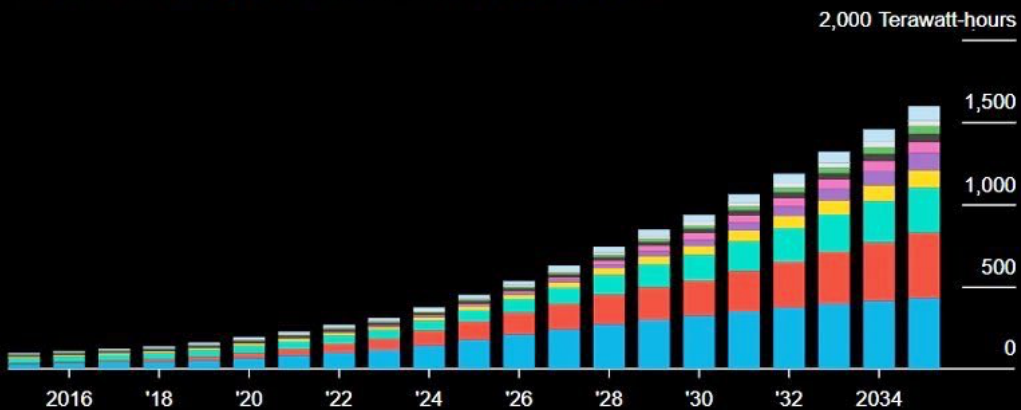


Source: McKinsey & Co.

Power Demand From AI Data Centers to Quadruple in 10 Years

Global data center power demand outlook by market

■ US
 ■ China
 ■ Europe
 ■ Japan and South Korea
 ■ India
 ■ Southeast Asia
 ■ Other Asia-Pacific
 ■ Latin America
 ■ Australia
 ■ Rest of World



Source: BloombergNEF

BloombergNEF

Figure 3. We expect AI factories will contribute 55 GW of net new compute capacity through 2030...

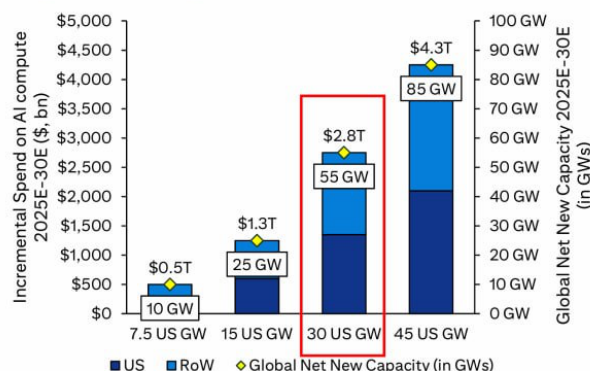
I Compute Outlook	2024	2025E	2026E	2027E	2028E	2029E	2030E	5 Year Total
Installed base (in GWs)								
US	3	5	8	12	18	24	30	
RoW	2	3	4	6	12	20	30	
Total	5	8	12	18	30	44	60	
% US	60%	60%	65%	65%	60%	55%	50%	
% RoW	40%	40%	35%	35%	40%	45%	50%	
Total	100%	100%	100%	100%	100%	100%	100%	
Net new capacity (in GWs)								
US		2	3	4	6	6	6	27
RoW		1	1	2	6	8	10	28
Total		3	4	6	12	14	16	55
Inference	1	2	4	7	15	22	30	
Training	4	6	9	11	15	22	30	
Total	5	8	12	18	30	44	60	
Inference	20%	25%	30%	40%	50%	50%	50%	
Training	80%	75%	70%	60%	50%	50%	50%	
Total	100%	100%	100%	100%	100%	100%	100%	
Energy and Construction	15	15	15	15	15	15	15	
Chips & Hardware	35	35	35	35	35	35	35	
1GW cost to build (\$bn)	\$50	\$50	\$50	\$50	\$50	\$50	\$50	
US		100	150	200	300	300	300	1,350
RoW		65	50	108	277	382	518	1,400
Incremental spend (\$bn)		\$165	\$200	\$308	\$577	\$682	\$818	\$2,750
Y/Y (%)			21%	54%	88%	18%	20%	

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Assumes all additional Data Center capacity is dedicated to AI and cloud compute.

Source: Citi Research

Figure 4. ...representing \$2.8T in incremental spend through 2030 on a global basis.



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Assumes all additional Data Center capacity is dedicated to AI and cloud compute.

Source: Citi Research

Keep a keen eye on Nvidia's GPU release schedule in the coming years. We have little doubt on the accuracy of the projected kilowatt per rack. The forecasted question to answer for investors is the availability and cost of those kilowatt per rack.

Exhibit 25: Nvidia chip release schedule and reference rack architecture

Rack-level power density is rising exponentially

Release	GPU	TDP per chip (watts)	Rack	GPUs/rack	kW per rack
Hopper architecture					
1H22	H100	700	DGX	8	35
2H24	H200	700	DGX	8	35
Blackwell architecture					
2H24	GB100	1,000	DGX	72	120
2H24	GB200	1,000	DGX	72	120
2H25	GB200 / NVL72	1,350	Oberon	72	162
Rubin architecture					
2H26	Rubin	1,800	Oberon	144	300
2H27	Rubin Ultra	3,600	Kyber	144	600
Feynman architecture					
2H28	Feynman	???	Kyber	???	???

Source: Company reports, BofA Global Research

BofA GLOBAL RESEARCH

We would like to end this Letter with what is the modern miracle of today's cutting-edge global semiconductor industry. The following comes from a poignant post on X. (The original post is uncertain to attribute the original source.)

“The deeper you go into the semiconductor supply chain, the less believable it becomes:

- *Taiwan Semiconductor Manufacturing Company, a company on a small island, produces over 90% of the world's most advanced chips*
- *Taiwan Semiconductor Manufacturing Company relies on the Dutch company ASML for EUV lithography machines.*
- *ASML depends on German Company Carl Zeiss, the only firm in the world capable of making mirrors precise enough for ASML's requirements.*
- *The light source for ASML's EUV machines is produced by a single company in San Diego.*
- *The photoresists used to print transistor patterns are produced by Japanese firms like JSR and Tokyo Ohka Kogyo.*
- *The ultra-pure quartz needed to make silicon wafers comes entirely from a single mine in Spruce Pine, North Carolina.*
- *The copper and rare-earth materials inside chips are mined and refined across Chile, the Congo and China.*
- *The specialized gases used in chipmaking, like neon and fluorine, largely come from Ukraine and Japan.*
- *The design blueprints for these chips often come from American companies like Nvidia, Advanced Micro Devices and Apple, which rely on software tools from U.S. firms like Synopsys and Cadence Design Systems.*

“Remove any single piece and the whole system collapses.”

October 2025

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