

Investing Outlook

Los Angeles | San Francisco | San Diego | Silicon Valley | Orange County | New York | Minneapolis | Milwaukee | Cincinnati | Austin

Highlights

- ▶ **The U.S. Economy Remains Resilient:** As we head into the end of 2025, the economy continues to grow. Job gains and spending have cooled somewhat, but overall, the economy has remained resilient.
- ▶ **AI Dominance:** Artificial intelligence continues to drive market performance, lifting earnings, fueling investment in data centers and shaping expectations for growth and inflation.
- ▶ **Mounting Uncertainties:** At the same time, several dynamics may pressure markets, including the possibility of a prolonged government shutdown, a softer U.S. dollar, concentration of returns in a few large tech names and heightened international tensions.
- ▶ **Portfolio Implications:** With powerful **global forces reshaping the world order**—forces that are likely to remain unresolved for some time—it's critical to maintain a disciplined investment approach, staying well-diversified to balance potential risks and opportunities that lie ahead.

Macro Environment at a Glance

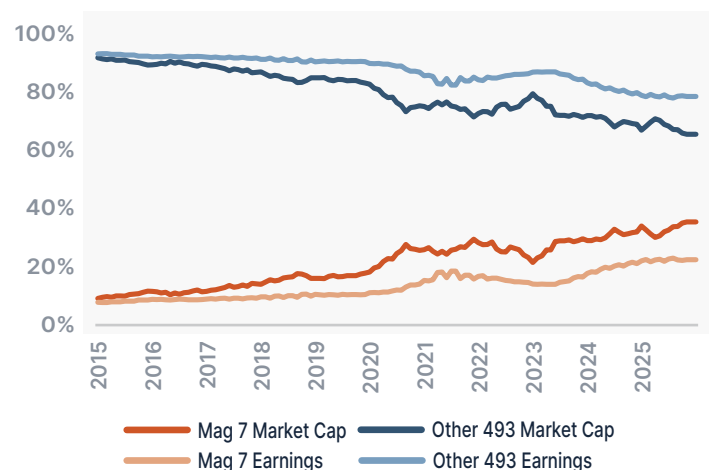
Decomposing the S&P 500: The **Magnificent 7** have come to dominate the market across multiple metrics. In 2015, they accounted for 9% of the earnings and 11% of the market capitalization of the S&P 500. Today, they represent roughly 22% of earnings and 35% of market capitalization. That means seven companies out of 500—or just 1.4% by count—constitute roughly a quarter of total earnings and one-third of the U.S. large-cap equity market's value. **Figure 1** illustrates how the Mag 7's share of S&P 500 earnings and market capitalization has expanded over the past decade.

Market concentration of this magnitude benefits investors only as long as the Mag 7 continue to outperform. To sustain high valuations and expectations for AI-related growth, several have invested hundreds of billions in capital expenditures to acquire advanced graphics processing units (GPUs) and build data centers. At these levels, there is little margin for error if adoption or economics fall short of expectations.

FIGURE 1

S&P 500 Earnings & Market Cap Decomposed into the Mag 7 & Other 493

Percentage of S&P 500



Source: Aspiriant analysis. Data from Bloomberg. The S&P 500 is a market-capitalization weighted index that includes the most widely held companies chosen with respect to market size, liquidity and industry. Magnificent 7 (Mag 7) refers to the seven largest U.S. technology-oriented companies by market capitalization: Apple (AAPL), Microsoft (MSFT), Alphabet (GOOGL), Amazon (AMZN), Meta Platforms (META), Tesla (TSLA), and Nvidia (NVDA).

What's Fueling AI: Propelling development forward and reinforcing the AI capital-expenditure (capex) cycle the industry created a web of interdependencies. Nvidia invested in leading AI model developers—xAI, Mistral and OpenAI—while those companies use those same proceeds to buy Nvidia chips. Similar dynamics exist linking OpenAI to start-ups and hyperscalers such as Microsoft and Oracle. This tangled web of relationships may accelerate AI growth in the near term, but it could also make the AI complex more fragile and politically exposed as conflicts of interest become more apparent and disruptive.

One potential chokepoint for AI development is access to electricity. An AI search requires about 10 times more energy than a standard Google search. As data centers sprout up to support the increasing use of AI, demand for power is expected to accelerate significantly. As shown in **Figure 2**, global data-center electricity consumption is projected to rise sharply over the next decade.

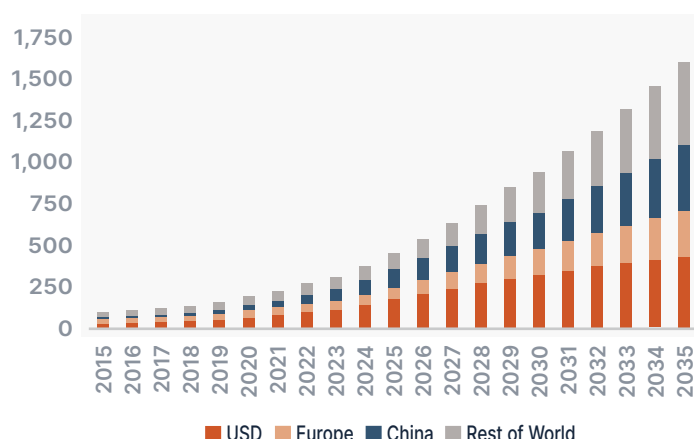
Within five years, power demand from data centers is forecast to double and in ten years, more than triple. In the U.S. alone, data centers are expected to account for 10 to 12% of electricity consumption by 2030.

Rare Earth Elements: Rare earth elements (REEs) are needed for magnets vital to several industries, including automakers, aerospace, semiconductors and national defense. China's global supply is estimated to represent roughly 70% of REE mining and 85–90% of refining and processing, making most developed countries heavily reliant on its exports. Stocks of REE miners and refiners in the U.S., Canada and Australia have surged as China flexed its negotiating position by announcing plans to restrict exports and new deals are emerging.

FIGURE 2

Global Power Demand from AI Data Centers

Power Consumption, TWhs



Data as of 12/31/24. Source: Aspiriant analysis. Data from International Energy Agency (IEA), Bloomberg NEF. Estimates of global power demand from AI data centers are based on IEA and Bloomberg NEF modeling. Both organizations combine observed data on current data-center electricity use with projections for computing capacity growth, hardware efficiency gains, and regional infrastructure expansion. Forecasts are scenario-based and approximate, reflecting uncertainty in AI adoption rates, grid constraints, and future efficiency improvements.

Explore more investment insights from Aspiriant's IS&R team.

Visit [Aspiriant.com/fathom](https://www.aspiriant.com/fathom) › Investment Management

Final Thoughts & Portfolio Considerations

- ▶ The U.S. economy remains relatively strong, with growth around 2% annualized in the third quarter. At the same time, youth unemployment reached a 10-year high and core inflation remains above the Fed target.
- ▶ Uncertainties persist around AI, trade, U.S. fiscal sustainability and geopolitical tensions. While market volatility can feel uneasy, investors must exercise discipline, agility and wherewithal to thoughtfully reallocate the portfolio as new opportunities emerge.
- ▶ We remain optimistic about the opportunities ahead and believe the best approach is to maintain a diversified portfolio, including a mix of U.S. and international stocks and bonds, gold and other hard assets, and private markets where appropriate.

Important disclosures

Aspiriant is an investment adviser registered with the Securities and Exchange Commission (SEC), which does not suggest a certain level of skill and training. Additional information regarding Aspiriant and its advisory practices can be obtained via the following link: [aspiriant.com](https://www.aspiriant.com).

Information contained herein is considered confidential, private and Aspiriant proprietary inside information that is intended only for the audience to which Aspiriant has knowingly distributed this presentation to, either by way of request or voluntarily. Any redistribution of this material without our prior express written permission is a violation of Aspiriant's privacy policy adopted to comport with various state and federal privacy laws that may subject any unauthorized distributor to legal action.

All opinions, figures, charts/graphs, estimates and data included in this document are as on date and are subject to change without notice. The statements contained herein may include statements of future expectations, for general market performance or economic conditions, and other forward-looking statements that are based on our current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance, or events to differ materially from those expressed or implied in such statements. Forecasts, projections and other forward-looking statements are based upon assumptions, current beliefs and expectations. Forward-looking statements are subject to numerous assumptions, estimates, risks and uncertainties, including but not limited to: economic, business, market and geopolitical conditions; U.S. and foreign regulatory developments relating to, among other things, financial institutions and markets, government oversight, fiscal and tax policy. Any forward-looking information should not be regarded as a representation by Aspiriant or any other person that estimates or expectations contemplated will be achieved, as the future is not predictable.

Past performance is not indicative of future results. There can be no assurances that any strategy will meet its investment objectives. All investments can lose value. The performance and volatility of an investor's portfolio will not be the same as the index. Indices are unmanaged and have no fees. An investment may not be made directly in an index. The data used in this material was obtained from third-party sources the firm believes are reliable and internally. Aspiriant is not responsible for the accuracy of any third-party data used in the construction of this presentation. This information alone is not sufficient and should not be used for the development or implementation of an investment strategy. It should not be construed as investment advice to any party. Investing in securities, such as equity, fixed income and mutual funds, involves the risk of partial or complete loss of capital that prospective investors should be prepared to bear. Any reference to securities, directly or indirectly, is not a recommendation and does not represent a solicitation to buy or an offer of a solicitation to sell such securities. Any statistical information contained herein has been obtained from publicly available market data (such as, but not limited to, data published by Bloomberg Finance L.P. and its affiliates), internal research and regulatory filings.

