Mash Capital

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INVESTOR NOTE

Numb and Number

The past few months can be best described with one word—**turbulence.** They have felt like driving through a hailstorm—the noise constant, the dents visible but the road still somehow winding forward.

Markets often test our ability to look past the noise. And when every headline promotes a new narrative, investors begin to lose the quiet sense of direction that long-term compounding demands.

In moments like this, it's easy to turn numb—to the turbulence within markets and within our minds. It's easy to become just another number ourselves—a data point in someone else's momentum model.

This note is about staying conscious in an age of reflexive excitement; about how listening to history can restore clarity when markets today may make little sense.

Echoes from the Past

While technology evolves rather rapidly, human behaviour remains remarkably consistent.

The late 1990s offered one of the clearest illustrations of this. Cisco, Lucent, and Nortel were the indispensable "plumbers" of the Internet revolution. They sold the routers and optical networks that promised to connect a digital world. The vision was right; the financing was wrong.

To feed growth, these firms invested in their own customers. Telecom carriers borrowed heavily, often with vendor financing or equity swaps, to buy the very equipment the vendors sold them. Revenues rose, valuations soared, and everyone cheered the appearance of infinite demand. When the traffic didn't come, the illusion unraveled.

The technology survived, the capital did not.

The Modern Parallel

A quarter century later, the cast has changed but the script sounds very familiar. Nvidia, OpenAI, AMD, and the hyperscalers occupy center stage in today's AI play.

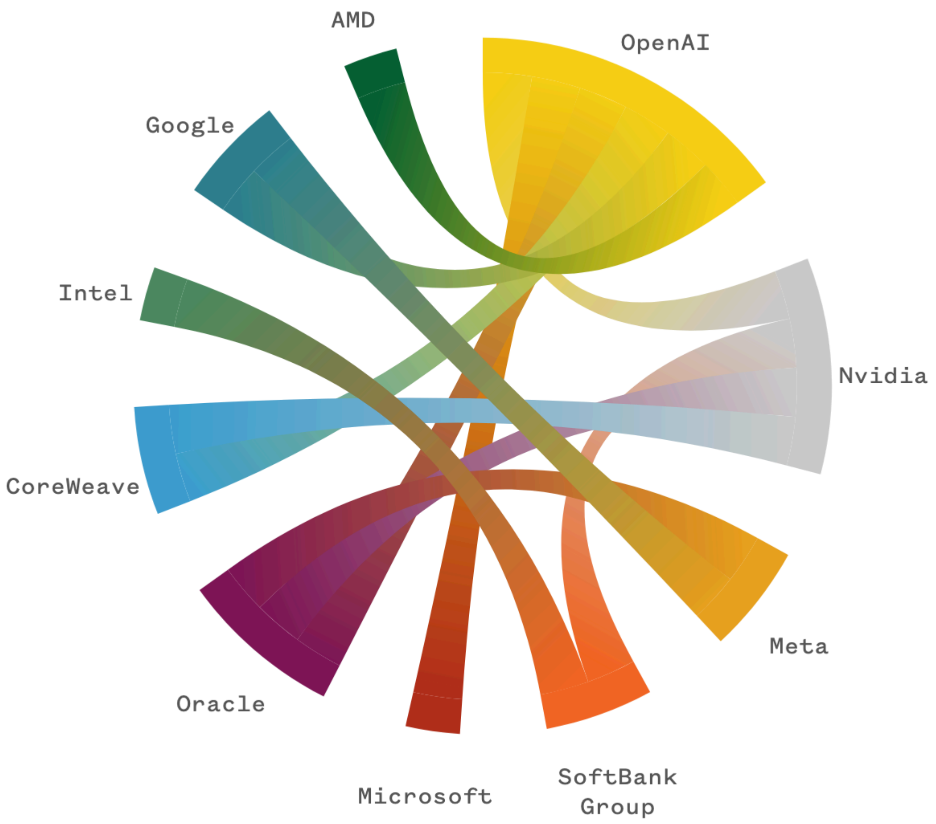
Nvidia sells the computational "picks and shovels" of this era, and demand seems boundless.

The more GPUs sold, the higher the earnings; the higher the earnings, the more capital flows into AI; and the more capital flows in, the stronger the case for Nvidia's growth. It's a self-reinforcing loop—reflexivity in real time.

Even the AI financing loop echoes the past. Nvidia intends to infuse OpenAI with up to $100B; OpenAI is simultaneously aligning interests with AMD tied to supply access and share price critera - these "deals" resemble the equity-for-financing playbooks of 1999. See image sourced from NBC News below.

AI funding's circular web

The Nvidia-OpenAI partnership is the latest in a series of investments as tech companies pour billions into data centers and compute power.



Meanwhile, Oracle and other hyperscalers are assuming billions in new debt to fund AI data centers, betting that future workloads will justify today's leverage.

Yet while history rhymes, it does not repeat. **The parallels with the Cisco era are instructive—but they are not identical.**

Where the Parallels End

The customers funding this cycle are not speculative startups. They are arguably the most profitable corporations in history—Microsoft, Amazon, Alphabet, Meta—each deploying cash from fortress balance sheets rather than from borrowed optimism. Their capital expenditure is funded from earnings, not leverage.

In the late 1990s, demand was a theory that needed credit to survive. Today, demand is already monetizing through cloud AI services, enterprise copilots, and early industrial use cases. Then, the fiber build-out came before utilization; now, the AI build-out is happening alongside it.

Cisco's customers disappeared when the credit cycle turned. Nvidia's customers, by contrast, print billions in free cash flow every quarter. If the AI cycle cools, the fallout will come through slower returns, not insolvency.

There's also a structural difference in transparency. In the late 1990s, vendor financing and opaque swaps made it hard to see where the real risk sat. Today, disclosures are immediate and balance sheets audited quarterly. The ecosystem is reflexive—but not hidden (barring OpenAI, where I believe public investors have fairly limited visibility).

Finally, Nvidia's economics differ from the commodity margins of fiber hardware. Its moat extends beyond chips to proprietary software (CUDA), developer ecosystems, and AI frameworks. It's not a boxmaker; it's a platform. One that has likely become "too big to fail".

In other words, **the psychology of the cycle may rhyme with 1999, but the plumbing of capital is sturdier.** The danger today is less about collapse and more about compression—the slow erosion of returns as enthusiasm outruns earnings power.

Separating Hype from Reality

My caution toward AI stocks is not skepticism toward AI itself. The technology is extraordinary; the valuations, at times, are not.

The real story lies beneath the surface—in the productivity gains that may begin to emerge. Two use cases stand out beyond the low-hanging coding, accounting, taxation and legal applications:

Personalized medicine. Imagine your entire health profile—genomic data, decades of blood work, and real-time data from a wearable device—is analyzed by a specialized medical AI that simulates thousands of future trajectories to design a personalized prevention plan. Proactive, predictive, and deeply personalized.

Estate planning. Envision a global family's estate modeled by AI and stress-tested against future tax regimes, currency shifts, and liquidity events. The system identifies hidden inefficiencies and ensures that legacy transfers are seamless and compliant.

These are not trivial applications. They represent a step-change in how we manage health and wealth.

At Mash, we already integrate AI into our process. Each morning, a custom prompt scans thousands of data points—market internals, cross-asset correlations, volatility indicators—and produces a global dashboard in under a minute. What once took hours now takes seconds.

I even uploaded this note and supporting materials into NotebookLM to generate a short podcast—what once entailed significant coordination and hours of productions, now done in minutes.

This is the data explosion made useful. We're not watching a fad; we're witnessing an information-efficiency revolution. But markets have a habit of pricing ten years of promise into one year of returns. **Our task is to find the beer beneath the froth**—the durable earnings behind the spectacle.

Investing, after all, is less math, more biology—less prediction, more preparation. As Howard Marks reminds us, risk means more things can happen than will happen.

Learning what to buy is like learning to hit a fastball—it takes practice, but it's celebrated. Learning when not to swing, though—that's what keeps you in the game long enough to win. That discipline forms the bedrock of our risk management and keeps us from becoming numb numbers.

Portfolio Discipline

Our temperament has been forged across fourteen years of cycles. We tend to lag when speculation is rewarded and outperform when realism returns. That fingerprint is visible in our history:

- 2018 — global equities fell over 11%; we gained 9%
- 2022 — the MSCI ACWI dropped nearly 20%; we lost less than 5%

This asymmetry—small setbacks, meaningful recoveries—is by design, not chance.

The past two years have tested that temperament. A narrow market dominated by a handful of mega-cap winners has made discipline feel like disadvantage.

But investing is not about looking clever today; it's about staying solvent tomorrow. **The patience that looks costly in euphoria tends to look priceless after.**

"Participate, but with caution" remains our mantra. Our 73% downside capture ratio and structural ability to hedge give us confidence to join a melt-up while preserving capital in a meltdown.

Current Positioning

Key contributors over the past few months included our Gold basket, Taiwan Semiconductor, Tencent Holdings, and Alphabet. Detractors were concentrated in healthcare—Danaher, Novo Nordisk, Eli Lilly, and several biotech names.

We continue to participate in the AI boom, but with realism. Alongside holdings in Alphabet and TSMC, we've increased allocations to **Real Assets**—Gold, Gold Miners, and Rare Earth Metals—beneficiaries of dollar debasement and renewed US-China tariff friction.

Coinbase remains our preferred, regulated avenue into the digital ecosystem—volatile but liquid, and positioned to benefit from the two-tier U.S. economy's eventual stimulus cycle. I remain opportunistic as an investor, if not optimistic as a social observer.

Healthcare, too, offers emerging value. The sector now trails the S&P 500 by its widest margin in history—if margin of safety regains relevance, we stand to benefit.

We continue to own two exceptional businesses—MercadoLibre in Latin America and Tencent Holdings in China—each integral to their region's culture and economy.

Our portfolio companies collectively generate roughly $60 billion in annual revenue, with gross margins above 50% and ROEs exceeding 25%. These are not mere tickers—they are compounding cash-flow machines designed to endure long after the current excitement fades.

Closing Reflections

Charlie Munger used to say that the big money is not made in the buying or the selling, but in the waiting. Benjamin Graham reminded us that the market transfers wealth from the impatient to the patient. Both were talking about the same discipline—the art of doing nothing intelligently.

Patience is not laziness. It's the refusal to confuse action with progress. It's enduring the discomfort of watching others appear smarter for a time, knowing that true compounding happens only when you stay in the game long enough for fundamentals to matter again.

Every technological revolution creates two markets—one for innovation and one for belief. The first transforms industries; the second distorts valuations. Our task is to participate in the first and survive the second.

AI will reshape productivity just as fiber reshaped communication. But not every investor in AI will share in that prosperity. The winners will be those who stay prudent and disciplined—preserve liquidity when others deploy emotion while remembering that capital is finite even when imagination is not.

At Mash Capital, we aim to remain awake while the world dreams—**conscious, not numb, and certainly not a number in the world's momentum algorithm.**

Thank you for your continued trust and patience. It is what allows us to do the hardest and most valuable thing in investing—**wait actively**.

Sincerely,
Kunal Mashruwala

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