

# CRI Quarterly Review

## Q4 2025



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*Chief Investment Officer*

***With the S&P 500® just posting its third straight year of double-digit gains, in large part due to the massive runup in Artificial Intelligence (AI) stocks, it's no surprise that investors are wondering if we're looking at a bubble about to burst. CBIS' Chief Investment Officer Tom Digenan offers his observations on financial bubbles and today's markets.***

**As an informed observer of things investment related, what are your thoughts on the current state of the stock market. Does history repeat itself?**

We've had a few bubbles over the years, the dot-com craze most recently, and there's much we can observe. While bubbles are all different, there are certain things they all have in common.

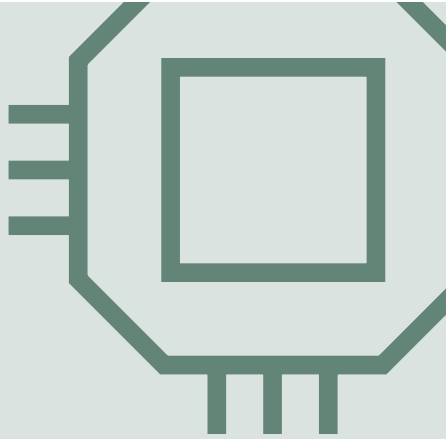
One, almost by definition, is an extreme price breakout. Maybe there's some exotic new thing like the railroads, radio, or technology. Right now, it's AI. It's definitely new and exotic and there's definitely been a price breakout.

Next, of course, there's some kind of media frenzy. This shiny new thing, after all, is what everybody is talking about. Just like AI.

And then there's usually an overarching fear of missing out. After hot stocks have been rising for a while, investors late to the game feel the need to get in on the action, sometimes dramatically. What happens then is a period where prices go higher and higher on often unrealistic expectations. We may be seeing that in the AI space now.



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**So, when you consider all these signs, do you believe we are in a bubble today?**

It's true that AI is exotic and there's a media frenzy. But unlike the dot-com stocks 25 years ago, these companies in the space are highly profitable. As much as they've grown in stock price, they've also grown in earnings. But, the space has been highly concentrated. The so-called Magnificent Seven represents close to 40% of the S&P 500® and a good portion of the benchmark's earnings.

Is this sustainable? Probably not, especially as competition continues to emerge. This, I think, is where we might be seeing signs of a bubble.

**Have you seen anything of this sort before?**

While the current market reminds me of the Nifty 50 run-up in the late 1960s, there are also similarities to the tech bubble in early 2000. It's new. AI is the thing. Everyone's thinking about how they can incorporate it into their lives.



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**When you look at these extraordinary periods of the past, was there any strategy that worked?**

Think about it...diversification, one of the core investment principles, tends to get punished during periods of bubbles. So, was there a strategy that worked? Impossible to say. What I can say with certainty, though, is what didn't work, and that was trying to time the bubble.

By looking at history, we know that investors who try to ride these things out don't know when to get out and they tend to get burned on the way down. Investors that just stay out of it never know when to get back in and they don't get the benefit of going up. Market timing actually hurts investors more than the bubbles do in getting in and getting out at the wrong time.

**What, then, are today's investors to do?**

The only real way to play fast markets or otherwise is through diversification. A diversified approach won't work in all periods, but it will work over multiple periods. You'll have stretches where your neighbor might be making a little bit more money but over the long run, you're going to be much better served.

My advice to today's investors is to maintain your discipline and stay diversified. History would agree.

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## *Contact Us*

### **We want to hear from you!**

If you have any questions, please reach out to your CBIS representative:



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