

When the AI Bill Comes Due

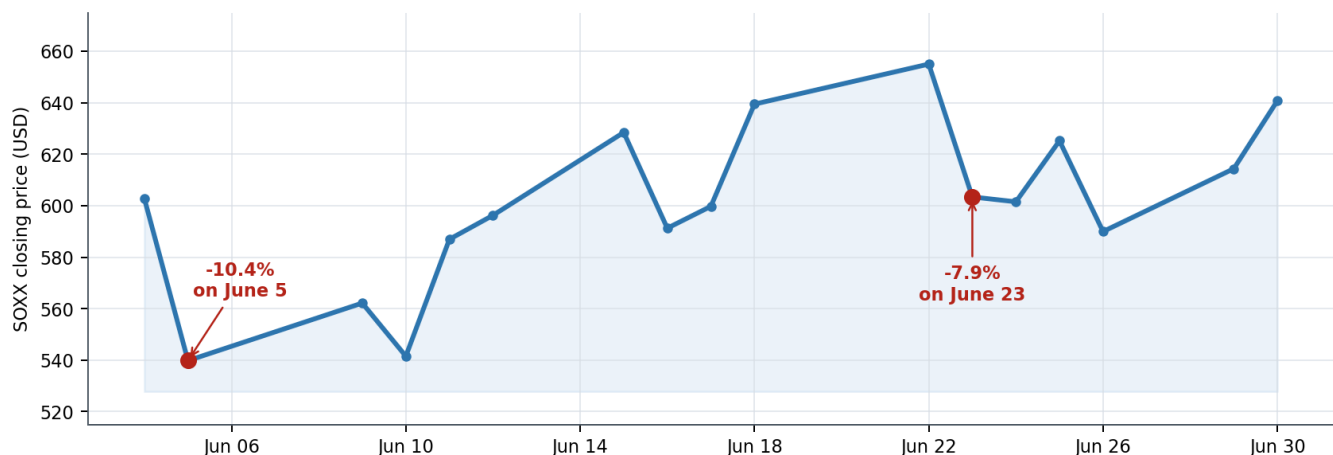
The semiconductor sector fired two warning shots in June. The iShares Semiconductor ETF SOXX lost around 10.4% on June 5 and another 7.9% on June 23, each in a single trading session. Even so, strong rebounds left the fund close to its highs at month-end. This combination of extreme valuations, sharp selloffs and reflexive dip-buying makes one point clear: the AI trade is not over, but it is highly unstable. In this environment, the G.A.M.A.G strategies preserved their value and edged their index levels higher.

Strategy	June 2026	% vs. prior month	% since inception
G.A.M.A.G Black+White	19,438.35	+ 0.03%	+ 589.67%
G.A.M.A.G Vol+Value	11,929.87	+ 0.13%	+ 41.99%

The Difference Between SOX and SOXX

The PHLX Semiconductor Sector Index (SOX) is the 30-stock semiconductor benchmark. SOXX is the exchange-traded iShares fund that provides investable exposure to the sector. We use SOXX in the chart because it reflects the price action investors can actually trade. As of June 30, the fund was still up 113% year to date; precisely for that reason, one-day losses of 8% to 10% are not ordinary noise, but a warning of overstretched and heavily debt-financed positioning.

SOXX in June: Two Selloffs in an Overstretched Market



Data: S&P Global Market Intelligence/StockAnalysis; iShares SOXX Fact Sheet as of June 30, 2026; Reuters, June 5 and June 23, 2026.

The Profitability of AI Investment Is Becoming the Decisive Question

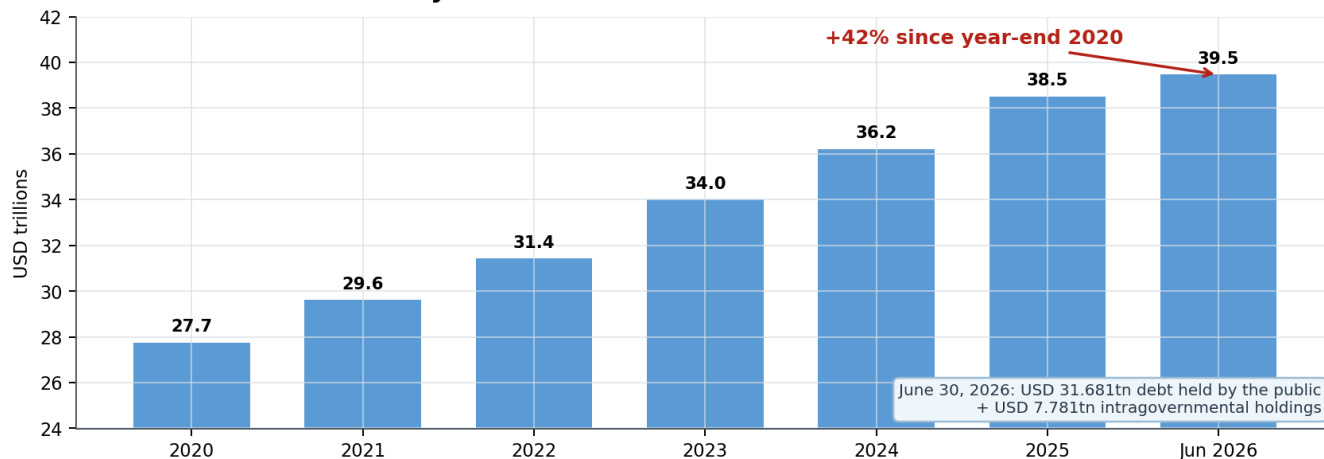
There is no question that AI is an excellent tool. But that does not automatically mean that every producer of chips, data centers or models can earn an adequate return on capital at today's valuations. The investment case is becoming more demanding: chips become obsolete quickly, data centers require enormous amounts of electricity and capital, models are becoming more interchangeable, and price competition is squeezing margins. The economic benefits may accrue to users while many infrastructure operators earn inadequate returns - much as they did during the build-out of telecommunications networks around the turn of the millennium.

In June, the valuation question also became a financing question. Morgan Stanley expected almost USD 570 billion of AI-related debt issuance worldwide in 2026; roughly USD 236 billion had already been placed by the end of May. By late June, Reuters reported that AI-related borrowers accounted for nearly 15% of this year's investment-grade issuance. Alphabet, Amazon, Microsoft and Meta were expected to invest about USD 700 billion between them. These sums will ultimately have to be earned through additional free cash flow - not merely through greater computing power.

AI Debt Competes With the World's Largest Borrower

At the same time, gross U.S. federal debt reached USD 39.462 trillion on June 30. Of this, USD 31.681 trillion was held by the public and therefore funded in capital markets; another USD 7.781 trillion consisted of intragovernmental holdings. Total debt has risen by around 42% since year-end 2020. The Congressional Budget Office expects a fiscal 2026 deficit of USD 1.9 trillion, or 5.8% of gross domestic product - despite full employment and no conventional recession.

U.S. Federal Debt: Nearly USD 40 Trillion



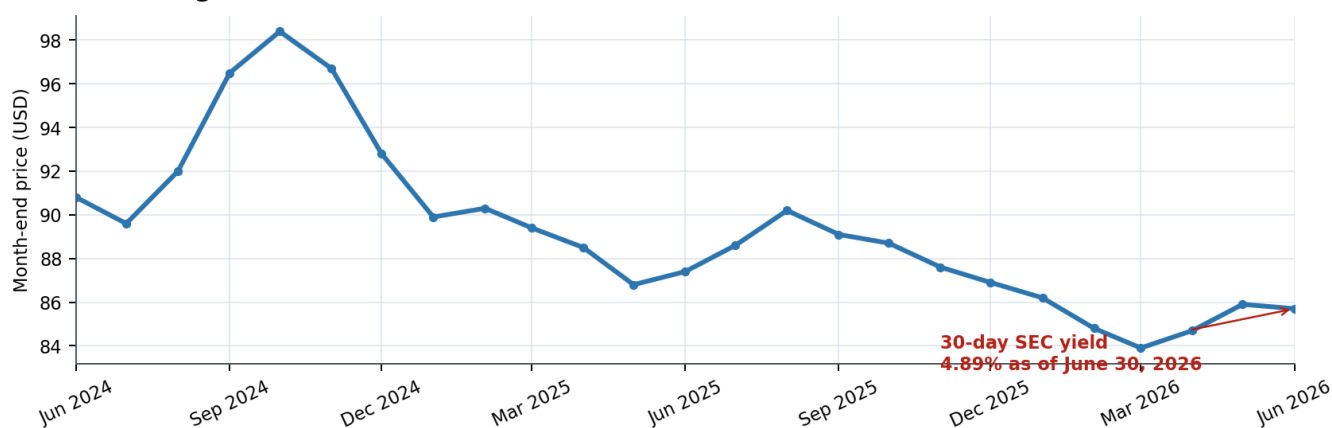
Data: U.S. Treasury FiscalData, Debt to the Penny/MSPD; FRED GFDEBTN; CBO, Budget and Economic Outlook 2026-2036.

The U.S. government and the AI industry are therefore bringing ever-larger volumes of long-term debt to market at the same time. This is not a mechanical one-for-one relationship, because maturities, currencies and investor bases differ. Economically, however, both draw on the same global balance sheets and the same finite investor risk budgets. The more attractive the yields on corporate and project debt become, the more long-dated Treasuries must offer as well. For the United States, the world's largest single borrower, room for maneuver is narrowing.

TLT Confirms Pressure at the Long End

TLT is not a '20-year interest rate', but an ETF holding U.S. Treasury bonds with more than 20 years remaining to maturity. Its price generally falls when required long-term yields rise. As of June 30, the fund reported a 30-day SEC yield of 4.89% and an effective duration of 15.31 years. In simplified terms, that duration means a one-percentage-point increase in yields can initially reduce the price by about 15%. The price trend therefore makes one thing unmistakable: the long end is demanding a higher premium for debt and inflation risk.

TLT: Long-Dated U.S. Treasuries Remain Under Pressure



Data: iShares TLT Fact Sheet as of June 30, 2026; month-end market data. Monthly values are shown to illustrate the trend.

Postscript: The Collapse of the Four-Times Leveraged AI Fund

The danger of combining conviction, concentration and borrowed money became clear immediately after the June month-end in Situational Awareness, the fund run by German-born former OpenAI researcher Leopold Aschenbrenner. According to disclosed positions, SanDisk and Micron alone accounted for around 56% of the U.S. equity portfolio at the end of June. At the same time, previously held hedges had largely been removed. The fund had returned about 439% in the first half of the year and was reported to have operated at leverage of up to roughly four times.

In July, SanDisk, Micron and other AI infrastructure stocks fell sharply. The combination of market losses, margin calls and insufficient liquidity forced Situational Awareness to sell most of its public-equity portfolio to Citadel. The monthly loss was later reported at around 67%. The fund was not fully liquidated in legal or organizational terms, but its leveraged public-equity strategy effectively collapsed. The episode is not evidence against AI. It is evidence that even a correct long-term technology thesis can be destroyed by excessive position sizing, leverage and a lack of hedging.

In hindsight, the fund's name seems almost ironic: 'Situational Awareness' is no substitute for risk management. Anyone who leverages a single narrative fourfold does not have a hedge, only an accelerated bet. That is precisely the risk addressed by an approach that gives greater weight to income, underlying value, liquidity and bounded downside than to the most spectacular story about the future.

Postscript updated August 21, 2026. Sources: Reuters, August 14, 2026; Wall Street Journal, July 30, 2026; MarketWatch/13F analysis, August 17, 2026. Media reports described the precise leverage as 'up to roughly four times.'

Six Years Without a Systemic Crash Do Not Make Hedging Obsolete

Since March 2020, markets have not experienced another comparably abrupt, systemic liquidity crash. The 2022 bear market was substantial, but unfolded over a longer period and without the same sudden shutdown across almost all risk markets. This extended phase has conditioned investors, funds and lenders to buy every decline and to regard hedging as foregone return. That is precisely what increases vulnerability: the longer protection appears unnecessary, the more market participants remove it, raise concentration and finance positions with debt.

The starting point is also more precarious than it was in 2020: higher government debt, higher long-term interest rates, enormous additional AI financing, more concentrated equity indices and more complex off-balance-sheet project structures meet investors accustomed to rapid rescues and immediate price recoveries. The next genuine liquidity shock need not be triggered by poor companies. It is enough for lenders to demand additional collateral at the same time and for buyers to disappear for a few days. At that point, what matters is not the quality of the long-term thesis, but who is forced to sell and who remains liquid.

The GAMAG Strategies Held Their Ground

G.A.M.A.G Black+White rose to 19,438.35 points in June (+0.03%), while G.A.M.A.G Volatility+Value reached 11,929.87 points (+0.13%). These are not spectacular monthly gains - and in this environment, that is exactly the point. While highly concentrated AI positions suffered double-digit one-day losses, capital was preserved and the index levels edged higher.

GAMAG continues to focus on real cash flows, broad diversification and option structures. Purchased options limit extreme losses; the disciplined sale of options generates premium income and can provide lower entry prices. This hedge is not a forecast, but an option to act that is paid for continuously. The goal is not to predict the exact day of a correction. The goal is to remain liquid and able to make decisions when a debt-financed market narrative turns into margin calls.

Conversely, the Situational Awareness case demonstrates the value of the GAMAG methodology. An unleveraged or effectively hedged portfolio can ride out a valuation error, rebalance positions and take advantage of attractive prices. A four-times leveraged portfolio loses that freedom: the lender determines the timing and price of the sale. Hedging is not intended to eliminate every fluctuation. It is intended to prevent a temporary market move from becoming a permanent loss of capital, and an investor's own decision from becoming a forced sale dictated by someone else.

Conclusion

June revealed where the AI boom is approaching its limits: not in technical capability, but in returns on capital and financing. At the same time, U.S. federal debt is nearing USD 40 trillion and long-term yields remain under upward pressure. AI projects and the U.S. government are increasingly competing for the same long-term capital. In this environment, leverage is not a source of return, but a forced seller on standby. Wealth is protected not by describing the future correctly, but by ensuring that the strategy can survive a mispricing in the present.

Carsten Straush August 21, 2026

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