MONTHLY INVESTOR LETTER

October 2026

Macro Landscape · Portfolio Themes · Forward View

Dear Investor,

The Federal Reserve raised interest rates on 16 September, its first increase since July 2023. A week later we sold three holdings whose payoff is years away and bought one that is profitable today.

ONE NUMBER

$214 billion

The seven companies at the centre of the AI build spent $214 billion on infrastructure in the latest quarter. Over four quarters, they spent $657 billion.

Amazon, Microsoft, Alphabet and Meta account for $543 billion of that and fund it from the cash their businesses already generate. The other three rely more on debt and on customer advances. Cranstoun owns two of the four.

Source: Supercycle AI buildout tracker, as at 13 September 2026.

01 · MACRO OVERVIEW

The First Rise Since 2023

The Federal Reserve raised rates by 0.25 percentage points on 16 September, to a range of 3.75 to 4%. It was the first increase since July 2023 and the vote was unanimous at 12 to 0. Chair Warsh said the economy was strengthening, citing employment, earnings and business investment. Sixteen of 18 officials projected at least one further increase.

Higher oil prices are adding to the inflation concern. Brent rose from about $88 to $104 by 25 September on worries about Middle Eastern supply. Dearer energy raises freight, food and service costs.

US shares took it calmly. The S&P 500 gained less than 1% in September and was up about 9% for the year by the 25th.

Gold fell, trading near $4,350, about 22% below its January high, as higher rates increased the cost of holding an asset that pays no income. Physical gold funds still took in $18 billion in August, their second highest monthly inflow, lifting holdings to a record 4,189 tonnes. We hold gold for the months when the rest of the portfolio struggles.

02 · THE BOTTLENECK INDEX

What Is Still Stuck

The same three shortages every month. They are the physical constraints the portfolio is built around.

Large power transformers One ordered today may not arrive until around 2030. Medium voltage switchgear is also largely sold out through 2028.	**3 to 5 yr wait** ●
The memory inside every AI server Most is sold through contracts rather than at daily prices. Samsung is seeking up to 20% higher prices in third-quarter talks, and SK Hynix has removed price ceilings from its long-term agreements, signalling further increases.	**+20% sought** ▲
The electricity those servers need Global data centre power demand is forecast at 132 gigawatts this year, up 27%. Of roughly 12 gigawatts of US capacity expected this year, only about a third is under construction, held up by transformers, switchgear and batteries.	**132 GW forecast** ●

▲ **Shortage got worse** and that is good for the companies we own

▼ **Shortage eased** and that is less good for us

● **No change** and we sit tight and wait

Sources: industry lead-time surveys and Bloomberg reporting on US capacity under construction; TrendForce and reported contract negotiations; Gartner.

03 · THEME COMMENTARY

What Changed This Month

AI & Semiconductors

NVIDIA is our largest holding. The development that mattered was its OpenAI financing: up to $105bn for a data centre in Ohio, supporting an initial 4.25 gigawatts of computing capacity. Financing a customer can support sales and it increases credit exposure. No change.

AI Storage (Strengthened)

Analysts now expect the memory shortage to persist through at least 2027. Our companies make hard drives and flash storage, and they benefit as the big manufacturers shift capacity towards the high-bandwidth memory used in AI chips, tightening supply everywhere else. No change.

AI Power & Infrastructure

Six listed companies, including Eaton and Vertiv, supplying the power and cooling equipment a data centre cannot open without. The construction delays in the index above support their pricing and their visibility on future sales. No change.

Critical Materials & Gold

We hold physical gold exposure, copper, uranium and a gold miner. Higher oil raises mining costs, though it can coincide with stronger prices for what these companies sell. No changes.

Technology Platforms

We own infrastructure suppliers as well as Microsoft and Alphabet, two of the largest buyers. Oracle reported $28.5bn of first-quarter capital investment. We added one holding here in September, the networking business described in section 04.

African Income (Best Month Yet)

Our Angola, Egypt, Nigeria and West African bank bonds yield more than 9%. Oil near $104 is roughly 60% above the $64.85 Nigeria budgeted for, Nigerian reserves hit a record $54.6bn, and Angola returned to the international bond market for $2.5bn. We kept the allocation small because higher rates pressure existing bond prices.

04 · POSITIONING SHIFT

What We Sold, and What We Bought

SOLD

Three Speculative Holdings

An optical components developer, a satellite data company, and a leveraged product tracking a private space business. Each depends on distant future profits.

BOUGHT

An Established Networking Business

Profitable today, selling traffic management and security software into the same data centres our equipment holdings supply.

MAINTAINED

AI Power Build-Out

Equipment bottlenecks remain, so we made no changes to these holdings.

> **Why.** We traded on 23 September, a week after the Fed moved. Higher rates reduce the present value of distant profits, so money expected in ten years is far more rate-sensitive than money expected next year.
>
> Most of the portfolio was already built for that. Many of our infrastructure holdings have signed, priced and often part-paid orders due over the next one to three years, and revenue due in 2028 is much less rate-sensitive than profits expected a decade out. The three holdings we sold were the ones that did not fit.

05 · THEME IN FOCUS

The Build Goes on Credit

THIS MONTH: WHO IS PAYING, AND HOW

The question about this build keeps changing. First it was whether the chips existed, then whether the power existed, then whether the parts could be made at all. In September it became who is funding it, and how higher rates might affect them.

Four of the seven largest spenders pay from their own cash. Amazon, Microsoft, Alphabet and Meta accounted for $543 billion of the $657 billion spent over four quarters. The remaining three rely more on debt and on customer payments made in advance. Supplier financing is now a third route: NVIDIA has agreed to provide up to $105 billion for an OpenAI data centre in Ohio, which may support future sales and increases its exposure to that one customer.

Our suppliers are paid on delivery, but the buyer’s financing still matters to how secure those orders are. The rate rise on 16 September makes debt-funded projects more expensive. If the build slows, those projects should show it first.

06 · WHAT COULD BREAK THIS

The Bear Case

Two risks. The first is oil. A sharp further rise would push inflation higher, and the Fed's main response is to raise rates and slow demand, including demand from the companies paying for these data centres. Our suppliers' multi-year orders give some protection. Those orders still depend on customers being able to pay.

The second is supplier financing, which ties a supplier's future sales more closely to one customer's ability to repay. It has become more common in this cycle and we are watching it.

Neither risk currently changes our investment case. We hold gold and African bonds partly to reduce the portfolio's dependence on shares, and we limit the size of individual holdings to contain the damage if we turn out to be wrong.

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07 · FORWARD VIEW

Where We Go From Here

What happens next. The Fed meets on 27 and 28 October, and again on 8 and 9 December. Third-quarter memory contract prices publish during October. Amazon, Microsoft, Alphabet and Meta report in late October and will update their spending plans. NVIDIA reports in November.

What would make us buy more. Shortages worsening while the shares of the suppliers that benefit fall on rate worries. That is how we added in April and May, and we would do so again.

What would make us sell. Waiting times shortening, or a large buyer trimming its spending plans. Either would suggest the shortages are easing.

What would prove us wrong on storage. Faster capacity additions, or falling hard drive and flash prices despite tight high-bandwidth memory supply.

If nothing changes. We hold what we have.

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08 · WHAT WE'RE READING

Perspectives Worth Your Time

[Chairman Warsh's Press Conference, 16 September 2026]

Federal Reserve Board, transcript

A chair who has stopped signalling his next move in advance says more in the questions than in the prepared statement.

[Fed Raises Rates to 3.75% to 4%, the First Increase Since 2023]

CNBC, 16 September 2026

The clearest short account of the decision and the forecasts behind it.

[Hyperscaler Capex Roundup, September 2026]

Supercycle, 13 September 2026

The source behind this month's headline number, and the clearest breakdown of which spenders are using their own cash and which are borrowing.

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09 · THE PHYSICAL LAYER

Where the Steel Is Melted

An electric arc furnace as molten steel is poured out, melting scrap steel and other iron feedstock with a powerful electric current. This is one of the earliest stages in making the electrical steel that grid equipment is built from, and the fifth in this series after the transformer, the pylon, the substation and the coils.

Cranstoun runs a concentrated portfolio of global equities, launched in October 2020 and regulated as an Approved Fund in the British Virgin Islands. If this was forwarded to you, **cranstoun.co** has the fund in full.

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