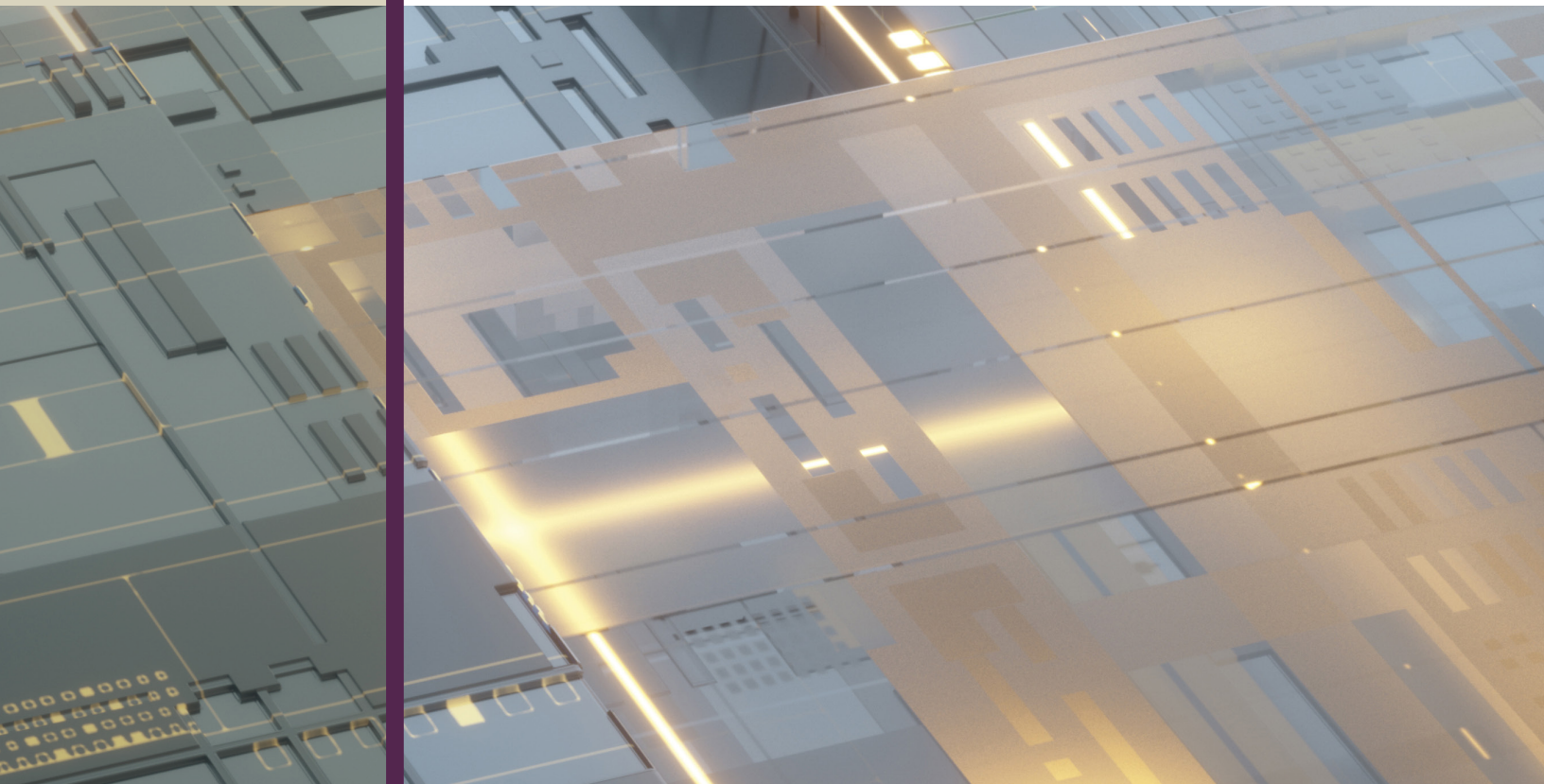




February 2026

AI's Promise and History's Lessons



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Overview

AI's Promise and History's Lessons

The AI investment surge echoes past tech revolutions, but monetization timeline remains uncertain.

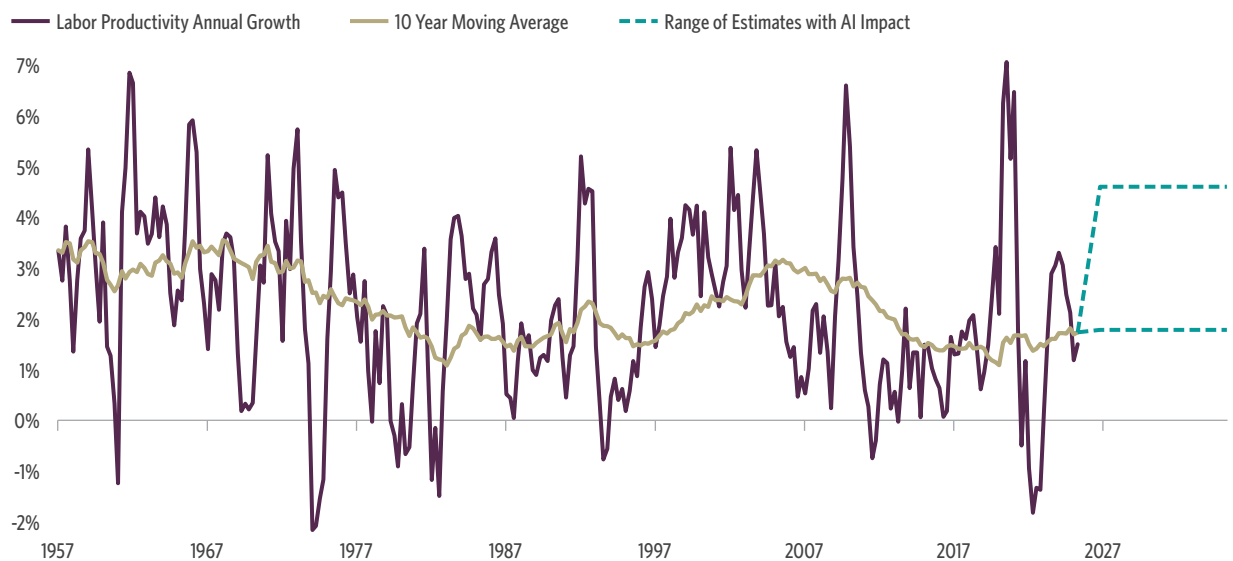
Artificial intelligence (AI) is poised to reshape the economic landscape over the coming years, creating significant opportunity for investors, but also notable risks. As with previous technological revolutions, the advancement of AI capabilities has the potential to drive fundamental changes across the global economy. Capital expenditures (capex) are surging to meet the demands of this transformation, and we are witnessing a wave of innovation that echoes past periods of technological upheaval.

From the laying of railroad tracks to the electrification of industry to the dotcom boom, history shows that technological leaps are often preceded by periods of rapid investment. The current AI cycle, however, appears distinct in its velocity. The exponential improvements in large language models have triggered a race among

hyperscalers and model developers, driving massive capital flows into processing power, energy infrastructure, and training capacity.

Even for technological advancements that have proven transformative, history also offers a cautionary tale for early investors. Enthusiasm for groundbreaking technologies often leads to overinvestment, as competition to build capacity outpaces the realities of longer timelines to adoption and monetization. The initial leaders in building out technological infrastructure do not always capture the majority of the long-term economic value. Instead, it is sometimes the second wave of companies—those that successfully harness the new technology to drive productivity and create new business models—that ultimately deliver the most substantial returns.

AI Productivity Boost Could Be Notable, But Uncertainty Is High



Source: Guggenheim Investments, Haver Analytics, Bureau of Labor Statistics. Data as of 6.30.2025.

Asset valuations for companies exposed to the AI infrastructure buildout have reached elevated levels, reflecting high expectations for future profitability. However, while the pace of adoption for AI has exceeded historical precedents, the path to monetization for many companies remains uncertain. Elevated equity valuations for AI hyperscalers, or large-scale cloud service providers, leave little margin for disappointment if AI investments take longer to generate meaningful returns, or if competition erodes profitability.

In this report, we examine how AI is transforming the U.S. economy, explore potential future scenarios, and outline key considerations for investors seeking to navigate this evolving environment. Our analysis leads to four central takeaways.

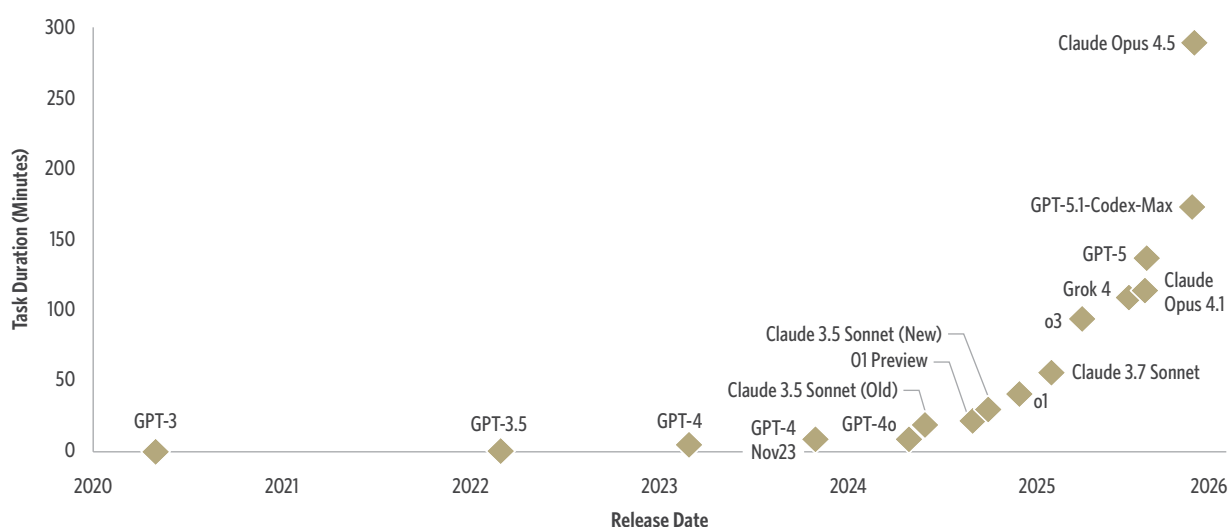
- First, we view AI as a transformative general purpose technology that will create substantial economic value, but investors should anticipate significant disruption on the road to realizing AI’s potential. The equity of many companies scaling AI infrastructure and software solutions appears optimistically priced, with little room in valuations for the types of surprises or competition that inevitably accompany technology transitions. This

environment favors broadly diversified portfolios that reduce equity concentration risk and incorporate fixed income to balance equity exposure.

- Second, over time we see long term value migrating toward organizations that effectively adopt AI, creating substantial value for both equity and bond investors. However, given the high execution risks during this transition, careful equity and credit selection will be essential.
- Third, we see attractive opportunities in infrastructure investments that offer high-quality, contractual cash flows while underpinning the AI ecosystem. This issuance will cross asset-class boundaries, and structures will embed new types of risk, requiring active management and careful selection.
- Fourth, the economic changes unleashed by AI will have multi-directional influences on fixed income yields. High investment environments tend to lift yields, while productivity gains can help contain inflationary pressures. This is likely to create an attractive backdrop for fixed income, but investors would benefit from actively managing interest rate and credit exposures.

AI Model Capabilities Continue to Grow Exponentially, Particularly in Tasks Like Software Engineering

Time horizon of software engineering tasks LLMs can complete 50 percent of the time



Source: Guggenheim Investments, METR. Data as of 11.30.2025.

Section I

The Global Race for AI Ascendancy Is Heating Up

Governments worldwide position AI as critical lever for economic growth and geopolitical power.

AI has rapidly emerged as a central pillar in the global contest for technological and economic leadership. Governments around the world increasingly view AI as essential for securing geopolitical strength and long-term economic prosperity. As a result, AI is now a principal factor in geopolitical competition, shaping trade negotiations, military planning, and domestic policy agendas.

For major economies, including the United States and China, the stakes are particularly high. Advanced economies face challenging long-term economic and fiscal outlooks, with slowing working-age population growth putting downward pressure on economic growth rates. In this context, AI-driven productivity gains are seen as a key lever to offset demographic headwinds to economic growth and address labor shortages. In turn, a better economic growth picture

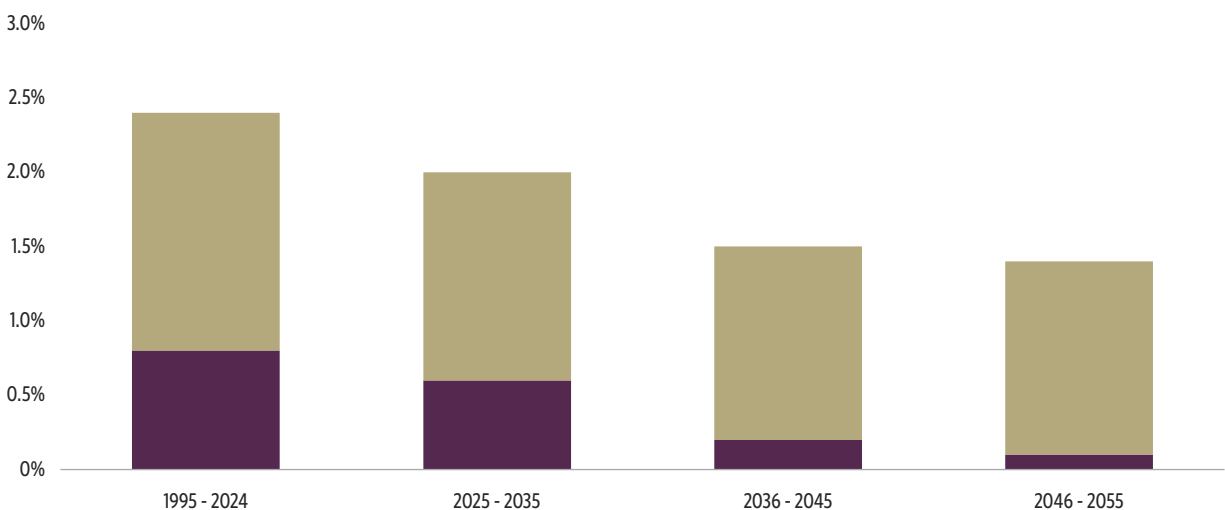
would help ease fiscal strains via higher tax revenues, and AI driven cost savings in areas like healthcare could further ease fiscal burdens as populations age.

Recognizing AI's strategic importance, governments are actively fostering its development through targeted investments, regulatory support, and industrial policy. The United States currently leads the global investment cycle, leveraging its strong advantages in semiconductor technologies and advanced AI model capabilities. American firms and research institutions are at the forefront of innovation, supported by robust venture capital ecosystems and deep talent pools. U.S. government efforts to support the industry are on the rise, with accelerated permitting for data centers and power infrastructure, and government-backed initiatives to spur more innovation.

Productivity Increase Is Key to Offsetting Demographic Drag on Long Run Growth Potential

Average Annual Growth of Real Potential GDP

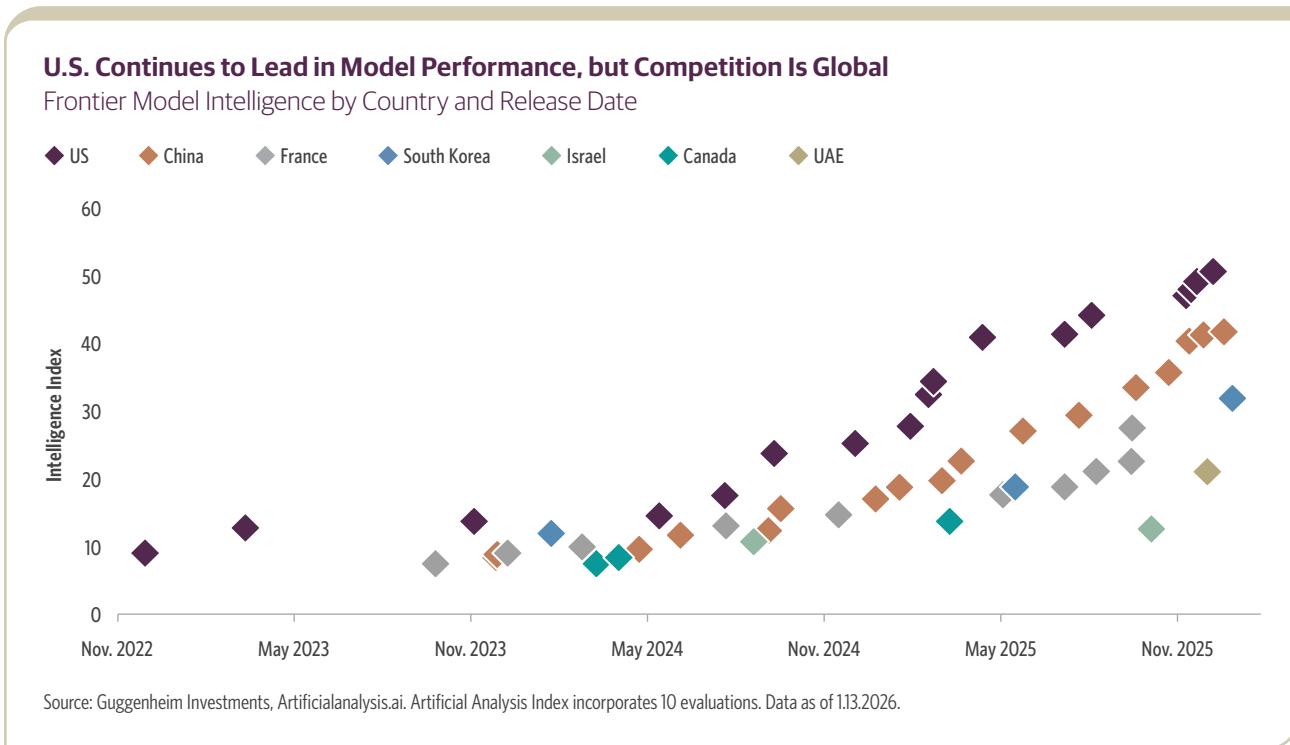
■ Potential Labor Force ■ Potential Labor Force Productivity



Source: Guggenheim Investments, Congressional Budget Office. Data as of March 2025.

China, meanwhile, is directing substantial resources toward building its own AI sector, with a focus on scaling infrastructure, nurturing domestic champions, and integrating AI into key industries. While Chinese models lag at the top tier of performance, they are often comparatively inexpensive—posing a risk to U.S. developers. Europe, by comparison, remains further behind in the race, hampered by fragmented markets and an entrenched and rigid regulatory structure.

However, the competition for AI leadership is not without constraints. While the U.S. excels in chip design and model development, its capacity in power production and rare earth production lags behind China, which has invested heavily in securing these supply chains. These resource dynamics are shaping the contours of the global AI race and may influence the distribution of benefits as adoption accelerates.



Despite the rapid pace of investment and policy action, the world remains in the early stages of the transition to AI-enabled economies. The ultimate impact of AI, and how its benefits will be shared across and within countries, remains uncertain. But the substantial and

sustained involvement of governments in AI development makes it clear that AI will remain a geopolitical priority, with government support to domestic sectors providing a continued tailwind to AI development.

Section II

AI Investment Is Fueling Economic Growth but Exacerbating a Two-Speed Economy

The AI buildout has been an important source of economic growth but is deepening economic bifurcation.

The surge in AI investment is leaving a visible mark on the U.S. economy, providing support during a period marked by economic uncertainty. Gross domestic product (GDP) data highlight the booming investment in software and computer equipment, with significant contributions also coming from the expansion of data centers and increased demand for power infrastructure.

Since the end of 2022, spending on these categories has risen by over \$400 billion. While much of the spending on computer equipment reflects imported goods netted out in the GDP data, other factors likely undercount the impact of AI investment on GDP growth. The rapid pace of advancement and intangible nature of AI-driven

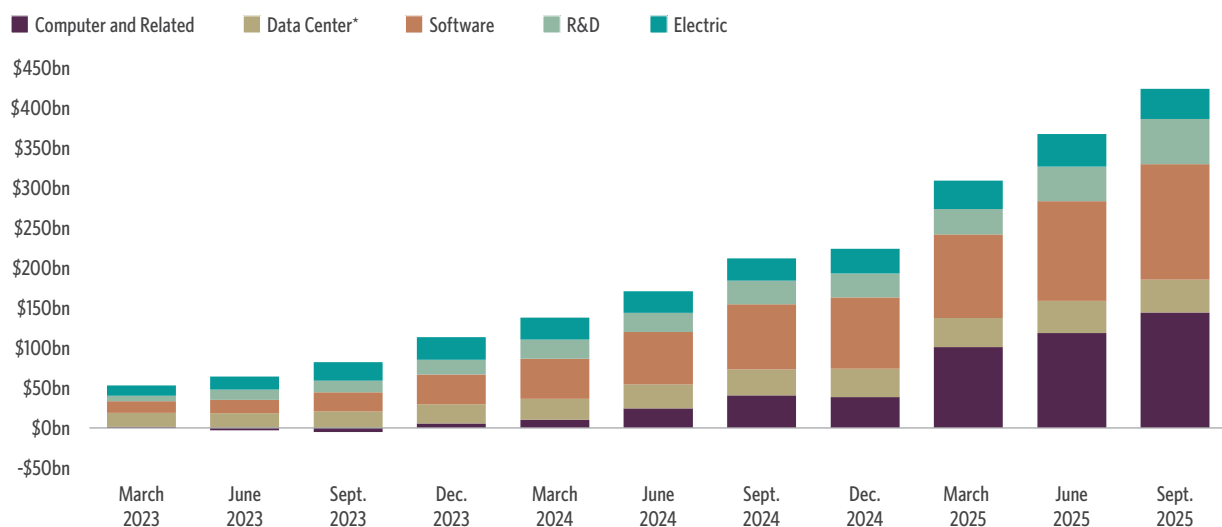
investments make it challenging to fully capture their economic contribution. Inadequate quality adjustments can overstate prices and understate real economic growth.

Classification of internal investments as intermediate goods and undercounting the U.S. intellectual property embedded in chips produced abroad can also underrepresent AI investment in official figures. Altogether, we think AI investment accounted for as much as one percentage point of real GDP growth in 2025—a notable support.

AI-fueled gains in equity markets are also supporting economic activity, particularly for high-income households. Since the November 2022 release of ChatGPT,

The Pace of Investment in AI Exposed Categories Now Exceeds \$400 billion

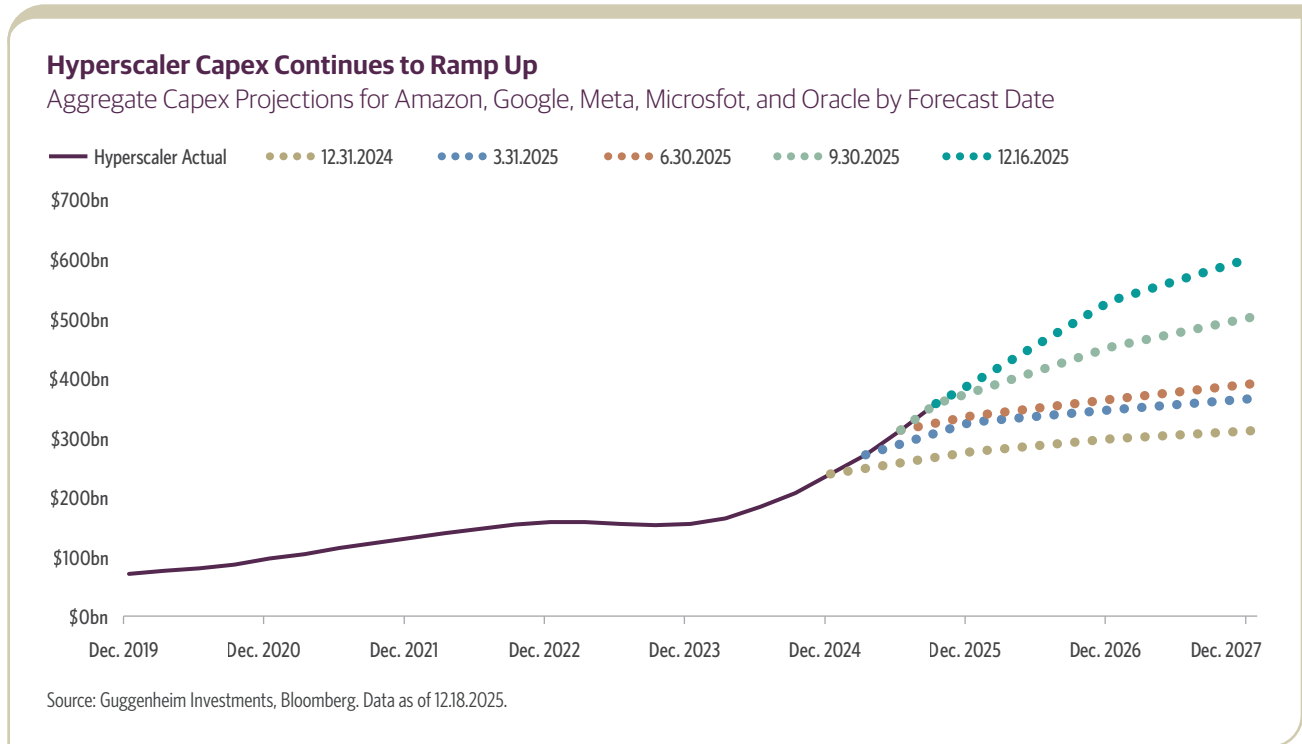
Change in Nominal GDP Since Dec. 2022



Source: Guggenheim Investments, Haver Analytics, BEA. Data as of 9.30.2025. *Data Center is level of spending.

over 70 percent of S&P 500 returns are estimated to be attributable to AI, according to JP Morgan. These AI-fueled equity gains have helped lift consumer net worth, creating a wealth effect on consumption that may have contributed

to as much as 0.5 percent to real GDP growth in recent quarters. This tailwind for consumer spending has been a meaningful support even as the labor market has softened and lower income households face mounting stress.

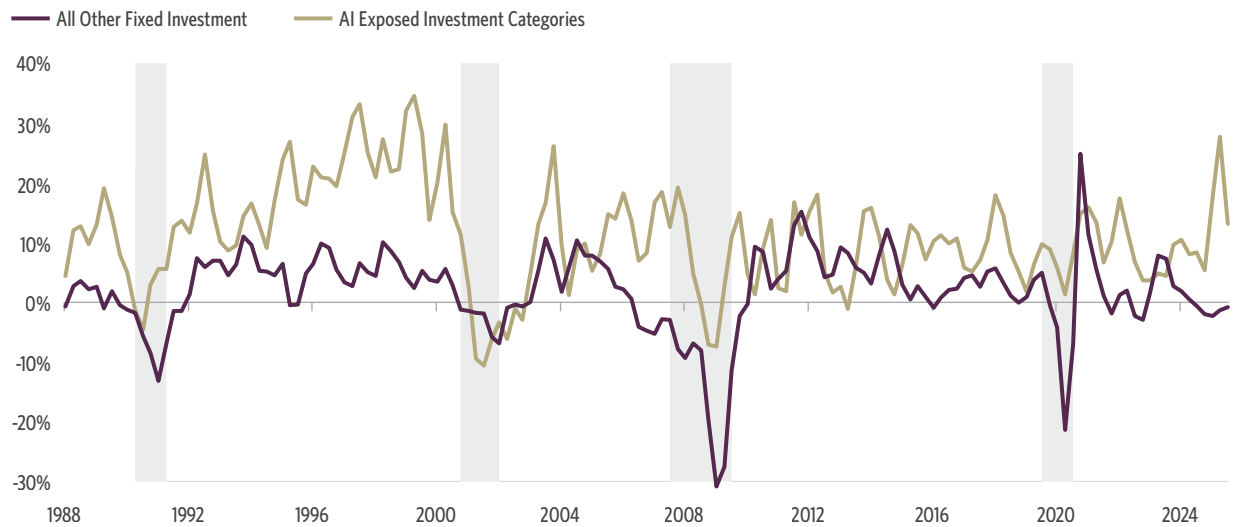


For all the positives, AI investment is also contributing to a widening divide within the economy, with capital being drawn disproportionately toward technology and related infrastructure, leaving other sectors struggling to keep pace. Given the growth support from AI investment, and its role in keeping financial conditions easy via strong stock market gains, it is likely that monetary policy is tighter than it would be in the absence of the AI buildout. The result is a “crowding out” of more rate

sensitive economic activity. This dynamic is reinforcing a “two-speed” economy, where the benefits of growth are concentrated in a few high-performing areas while others lag behind. Given the industries benefiting the most from the AI buildout represent a relatively small share of total employment, we are also seeing relatively weak labor demand even amid solid GDP growth, further deepening divergences in the economy.

AI Spending May Be “Crowding Out” More Rate-Sensitive Investment

2Q Annualized % Change in Real Investment



Source: Guggenheim Investments, Haver Analytics, Bureau of Economic Analysis. Data as of 9.30.2025.

Looking ahead, the direct contribution of AI investment to real GDP growth is expected to remain supportive for growth in 2026 but moderate over the medium term. While capital expenditures on AI infrastructure are projected to continue growing, the rate of change in this spending will naturally decelerate as the absolute level of spending grows.

As the AI infrastructure investment cycle matures, broader economic gains from AI will increasingly depend on the diffusion of new technologies and the realization

of productivity improvements across a wider range of industries. While investment spending on new areas like robotics and AI-driven software could ramp up in coming years, the next phase of growth will hinge not just on continued capital outlays, but on the ability of businesses to harness AI to drive efficiency, create new products and services, and unlock value throughout the economy.

Section III

Productivity Transformation Will Be Apparent...Over Time

A productivity boost on par with past transformative technologies appears plausible.

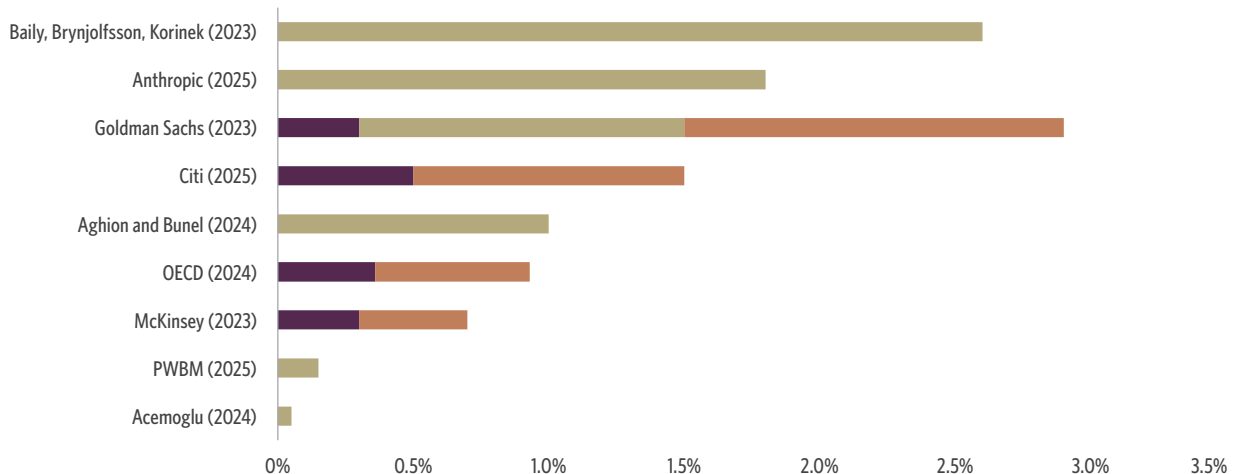
AI's long-term economic promise lies in its capacity to enhance worker productivity and drive improvements in business revenues and margins. While AI's transformative potential is widely recognized, practical experience with AI applications remains in early stages, and estimates of

the possible productivity gains vary considerably—from negligible to explosive. We view the middle of these estimates as most likely, but the timeline for these effects to take shape is uncertain given the typical challenges to integrating new technologies into the economy.

Positive But Wide Ranging Estimates of AI's Effect on Productivity Growth

Estimated AI Impact on Annual U.S. Labor Productivity Growth, Next 10 Years

■ Lower ■ Baseline ■ Upper



Source: Guggenheim Investments, Baily, Brynjolfsson, Korinek (2023), Anthropic (2025), Goldman Sachs (2023), Citi (2025), Aghion and Bunel (2024), OECD (2024), McKinsey (2023), PWBM (2025), Acemoglu (2024).

Some analysts contend that AI will represent a more significant leap than previous technological revolutions, given its dual role as a general purpose technology and an inventive technology. AI's versatility allows it to be embedded across a broad spectrum of activities, and unlike most past technologies, continued advancements

could allow for AI itself to generate new ideas and inventions, potentially compounding its impact.

Even without the arrival of more advanced capabilities such as artificial general intelligence, AI could prove transformative for business applications. A common

framework for estimating potential productivity gains is to multiply the fraction of tasks that could be economically profitable to perform with AI with average cost savings from using AI. Current research suggests that between 20 percent and 40 percent of existing tasks could ultimately be automated by AI, spanning functions from data analysis and customer service to logistics and compliance. Greater advancements in the interaction between AI and robotics would put estimates in the top of the range.

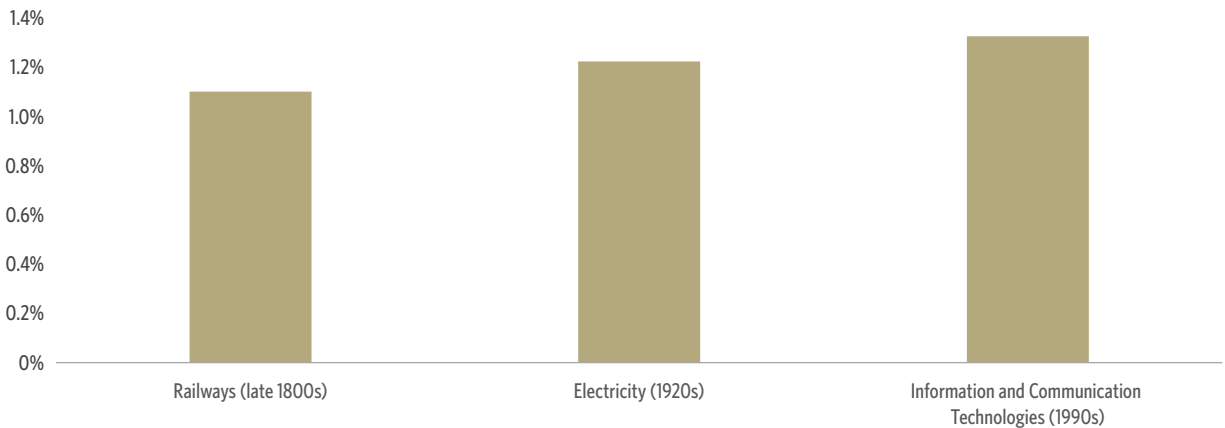
Cost savings will be driven by the efficiency gains achieved for affected tasks. Microeconomic studies on these gains vary widely, with the bulk of estimates ranging from 10 percent to 50 percent cost savings. Combined with the share of tasks that can be performed with AI, this yields a cumulative productivity uplift

anywhere from 2 percent to 20 percent—highlighting the positive but highly uncertain outlook.

Given the scale of recent investment in AI infrastructure and continued advancements in model capabilities, mid-range estimates for eventual productivity gains appear likely. However, the critical issue for investors is not just the magnitude, but the timeline over which these gains might materialize. A common assumption is that productivity gains take around 10 years to fully materialize, informed by the pace of past of technology adoption. While personal use of AI is rising quickly, workplace adoption is still limited and highly dispersed across industries. A November 2025 McKinsey survey found over 60 percent of organizations were still in the experimental or piloting stage of AI deployment, with 31 percent in the scaling phase and just 7 percent with fully deployed AI.

Impact of Past Technologies on Trend Productivity Growth

Boost to Annual Average Growth in Productivity



Source: Guggenheim Investments, Aghion and Bunel (2024), Crafts (2021), Hornbeck and Rotemberg (2019), Goldman Sachs (2023).

As with all technologies, there will be roadblocks along the way that could slow the pace of adoption and delay the realization of productivity gains. Energy limitations, regulatory hurdles, and organizational headwinds like employee reticence and business process revamping pose challenges. In this context, a 10-year window for productivity to fully manifest seems reasonable, with the biggest incremental gains in the middle of that window. Applying this to the midpoint of productivity estimates above implies an average productivity boost of around

1 percentage point per year. This gain is on par with productivity gains realized in previous technological revolutions, including electrification and the internet.

With the direct impact of AI investment on economic growth expected to slow in the coming years, the transition to productivity-driven benefits will be required to create an ongoing uplift to economic growth. The speed and breadth of this handoff will be a key determinant of whether AI delivers on its economic promise.

Annual Productivity Growth Impacts Based on Exposure and Cost Savings

Assumes Cumulative Productivity Boost Occurs Over 10 Years

		Share of Tasks Exposed to AI					
		10%	20%	30%	40%	50%	60%
Cost Savings from AI	10%	0.1%	0.2%	0.3%	0.4%	0.5%	0.6%
	20%	0.2%	0.4%	0.6%	0.8%	1.0%	1.2%
	30%	0.3%	0.6%	0.9%	1.2%	1.5%	1.8%
	40%	0.4%	0.8%	1.2%	1.6%	2.0%	2.4%
	50%	0.5%	1.0%	1.5%	2.0%	2.5%	3.0%
	60%	0.6%	1.2%	1.8%	2.4%	3.0%	3.6%

Source: Guggenheim Investments. Data as of 12.18.2025.

Section IV

Potential Near-Term Disruptions to Labor Should Give Way to New Job Creation

Job displacement is a risk, but job augmentation and new job creation should be the larger forces over time.

Among the most common concerns surrounding AI adoption is its potential impact on employment. Widespread unemployment could offset AI's productivity benefits, resulting in more muted gains to economic growth and greater economic bifurcation. In the near term, AI has the potential to increase frictional unemployment, particularly during economic downturns. However, new technologies have historically created categories of employment difficult to envision at the outset of the transition.

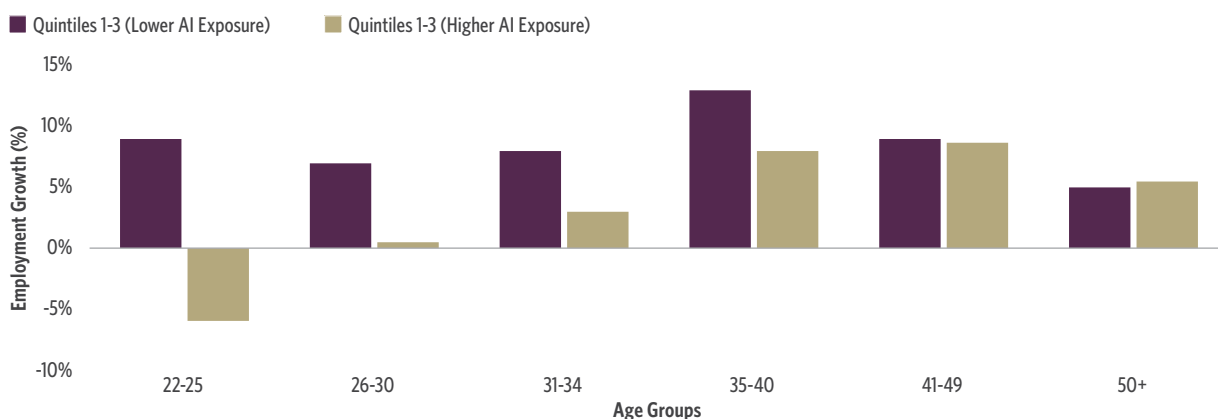
The central question is whether AI will primarily complement or substitute for human labor. Current studies provide some reassurance: research indicates that approximately 60 percent of jobs could be augmented by AI—meaning workers would use AI tools to enhance their productivity and capabilities—while less than 10 percent of jobs face the risk of full replacement. This suggests that for the majority of workers, AI will enable them to perform tasks more efficiently, make better decisions, or take on higher-value work.

Even as the balance tilts toward labor augmentation, the speed of AI adoption introduces the potential for temporary, but significant, disruption. Evidence is already emerging that job growth among junior cohorts in exposed job categories has begun to slow, as employers anticipate future automation or shift hiring toward roles less susceptible to AI displacement. If this trend broadens, we could see hiring slow more generally across affected sectors, creating transitional challenges for workers seeking to enter or advance within these fields.

The risk of labor market disruption could be particularly apparent during an economic slowdown. In a downturn, businesses facing revenue pressures are more likely to pare back their workforce to trim costs and enhance productivity. Historically, recessions have seen workers in routine "middle skill" roles see disproportionate job loss, and AI could repeat this historical pattern. If AI drives higher unemployment, a productivity boom that increases efficiency could ironically act as a drag on growth, deepening economic weakness during a downturn.

Younger Workers in AI Exposed Occupations May Be Seeing AI Impact

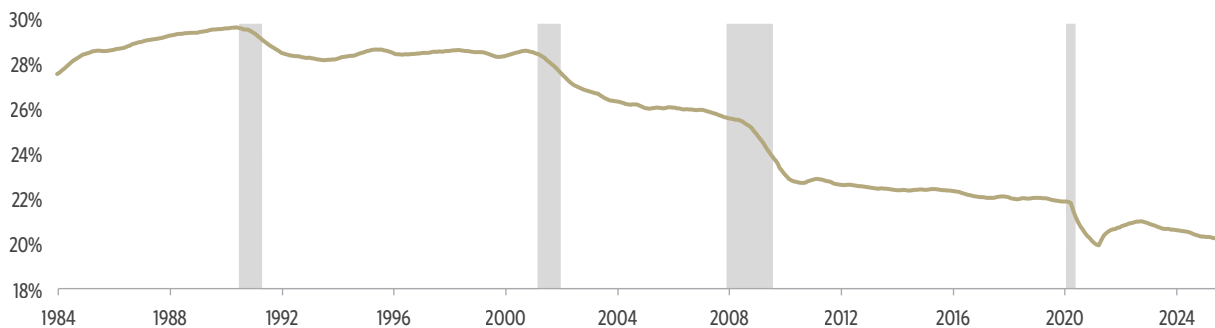
Growth in Employment, Oct 2022–Jul 2025, By Age Group and AI Exposure



Source: Guggenheim Investments, Brynjolfsson et al. (2025). Data as of 7.31.2025.

Economic Downturns Accelerate Job Loss in Routine Work

Routine* Jobs, Share of Population (12-Month Moving Average)



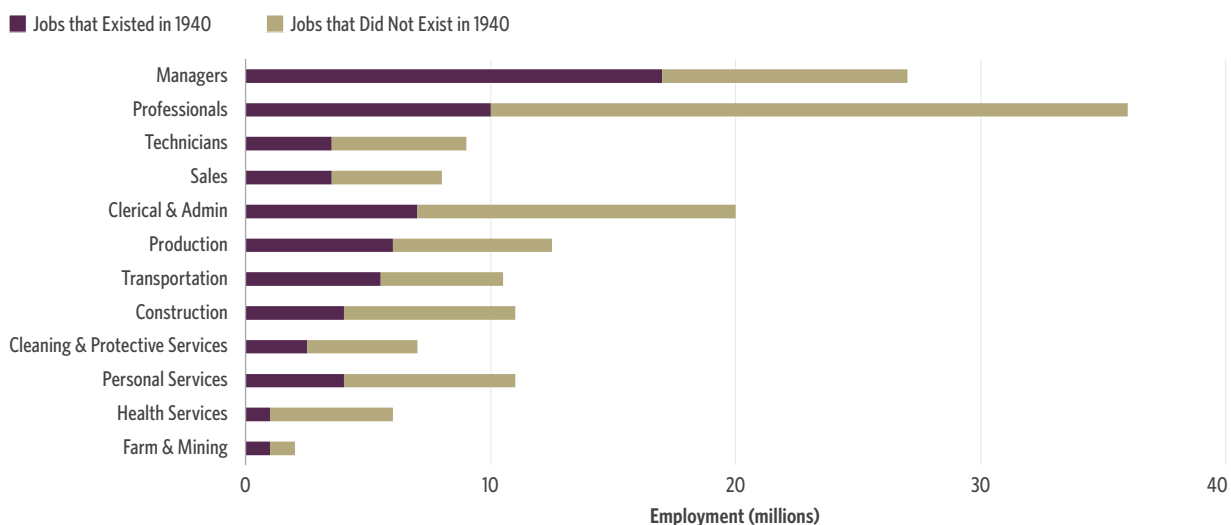
Source: Guggenheim Investments, Haver Analytics, Bureau of Labor Statistics, Jaimovich and Siu (2020). Routine occupations include sales and office, production & transportation, installation, maintenance and repair.

Despite near-term risks, there are convincing reasons for optimism about the long-term trajectory of employment in an AI-driven economy. A striking statistic underscores the economy’s capacity to generate novel forms of work as technology evolves: approximately 60 percent of today’s workers are employed in jobs that did not exist in 1940. While it is difficult to predict the specific nature of future jobs, history suggests that technological progress tends to

create opportunities that were previously unimaginable—from data scientists to social media managers to renewable energy technicians. Unlike prior technological transitions, an additional reason for optimism is that AI is itself a tool that can be used for retraining and skill development, potentially helping speed along the necessary occupational transition.

Innovation Creates a Significant Number of New Jobs Over Time

2018 US Employment (Millions)



Source: Guggenheim Investments, Autor et al. (2022). Data as of 2018.

Section V

Investors Should Expect Disruption, and Seek Out Long-Term Opportunities

The transformative potential of AI presents a complex landscape for investors, with opportunities and risks distributed unevenly across the AI value chain. Current valuations in some areas reflect optimistic assumptions about the pace and profitability of AI adoption, while other segments appear to offer attractive risk-adjusted returns.

We currently view AI companies as optimistically priced, and see more compelling opportunities for investment in related infrastructure and, over time, in individual companies that will benefit from AI adoption. Our investment framework is organized around four main themes:

Theme 1

Diversified Portfolios Can Reduce Investor Exposure to Optimistic Expectations for AI Equities

History shows first movers in new technologies do not always capture lasting value.

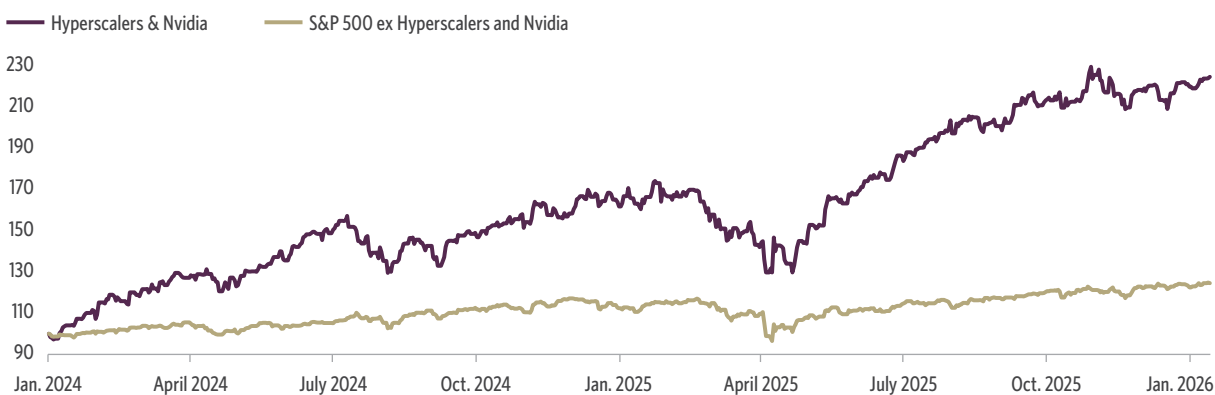
Equity prices for companies at the forefront of AI development have surged in recent years. For example, combined returns of the hyperscalers plus Nvidia have risen 125 percent since the beginning of 2024, compared to a 25 percent gain for the rest of the S&P 500. While valuations have risen for this group of companies, valuation expansion has been accompanied by strong profitability growth, which distinguishes the current environment from the late 1990s

technology bubble, when valuations surged despite weak or nonexistent earnings. The fundamental strength of today's AI leaders is real and, for some, their dominant market positions provide a degree of durability.

However, the market appears to be pricing in a scenario with limited room for the paradigm shifts and intense competition that often accompany technological change.

First Mover AI Companies Have Seen Strong Equity Returns

Cumulative Equity Price Return (1.1.2024 = 100)



Source: Guggenheim Investments, Bloomberg. Data as of 1.13.2026. Hyperscalers include Amazon, Google, Meta, Microsoft, and Oracle.

Theme 1 (continued)

Current valuations embed assumptions of sustained elevated growth, continued market dominance, and smooth monetization of AI capabilities. The magnitude of some companies' market capitalization means that future returns will depend on expanding into new markets or discovering new revenue streams, rather than simply scaling existing businesses.

The historical pattern of technology transitions suggests caution. In many previous cycles—from railroads and electricity to personal computer and telecoms—the companies that built the initial infrastructure often failed to capture enough value to profit from investments, as excess capacity or competition eroded returns.

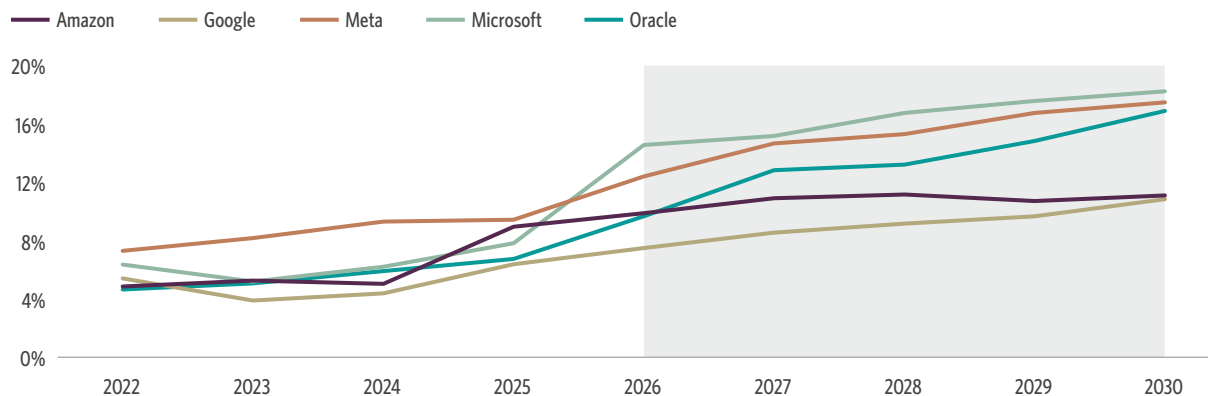
For AI, disruption could come from unexpected directions: a more efficient architecture that reduces compute requirements, models becoming commoditized from intense competition or open-source alternatives, or regulatory interventions that reshape competitive dynamics.

Moreover, the capital intensity that incumbents perceive as required to maintain leadership positions is escalating. Each generation of AI models demands exponentially more compute, energy, and specialized talent. The rapid pace of innovation threatens to shorten the useful life of these assets, leading to accelerated depreciation that will require larger revenue streams to maintain profitability. The risk is that growth trajectories, even for relatively successful companies, will moderate more quickly than current valuations anticipate, leading to multiple compression.

Perhaps most importantly, we are still in the early stages of understanding how AI value will ultimately be distributed across the ecosystem. It is still unclear whether infrastructure providers will capture the lion's share, or value will migrate to the application and adoption layers as computing capacity grows and AI models become more efficient. Yet current market prices suggest a high degree of certainty that AI hyperscalers and chip providers will continue to capture the benefit.

Large Investments Will Lead to Growing Depreciation Expense

Depreciation Expense as a Share of Revenues, Historic Data, and Consensus Projections



Source: Guggenheim Investments, Bloomberg. Data as of 12.5.2025.

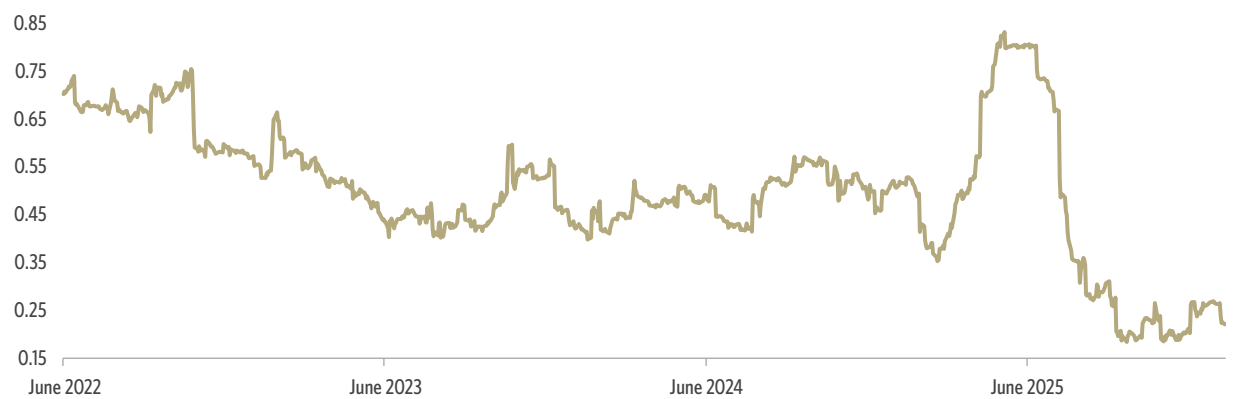
Theme 1 *(continued)*

For investors, this creates some asymmetry in the equity risk profile for AI first movers. The upside case—where incumbent growth rates remain elevated—is largely reflected in current valuations. The downside scenarios—technological disruption, competitive pressure, regulatory intervention, or simply slower-than-expected monetization—may redistribute the value creation in ways that current market concentration does not anticipate.

Investors are increasingly aware of these risks and are placing greater scrutiny on investment plans and differentiating between companies based on their ability to show a clear link between capex and revenue generation. This is a healthy development and may help contain valuations in the year ahead. Still, we believe the risk-reward profile favors diversified portfolios that reduce concentration risk and incorporate fixed income to balance equity risk exposure.

AI Hyperscalers Are Becoming Less Correlated as Investors Become More Discerning

Average Rolling 60d Pairwise Correlation: Amazon, Google, Meta, Microsoft, and Oracle



Source: Guggenheim Investments, Bloomberg. Data as of 1.12.2026.

Theme 2

AI Adopters Offer Strong Potential That Should Be Realized Over Time

As AI benefits become tangible, successful adopters could see valuations rise.

While valuations for AI infrastructure providers have risen, many companies that stand to benefit most from AI adoption have not yet seen comparable increases. This creates an opportunity for investors to gain exposure to the productivity and profitability gains that AI can deliver, without paying the premium associated with the most visible AI players. In a scenario where compute becomes abundant and/or AI models commoditize, value could migrate away from capital intensive builders and toward adopters capable of leveraging cheap inference to drive efficiency.

We are still in the early stages of the adoption phase, with companies across industries experimenting with ways to leverage AI for competitive advantage. Much has been made of studies and surveys showing little concrete benefits yet for companies using AI. However, these same studies highlight that a great deal of experimentation is underway, with most companies still in the early stages of AI adoption, and the coming year could reveal more tangible results. The avenues

for value creation are diverse and span all sectors. Operating efficiencies and cost reductions are among the most immediate benefits, as AI enables automation of routine tasks and optimization of complex processes. Enhanced customer experience and personalization represent another significant opportunity, as AI allows companies to tailor products and services to individual preferences at scale. Product innovation, driven by AI's ability to analyze vast datasets and identify new patterns, offers the potential for entirely new revenue streams.

As adoption accelerates and the benefits of AI become more tangible, we expect companies that successfully adopt AI to outperform, creating attractive returns for investors who position themselves early. However, execution risk will be high during this transition. Not all companies will successfully integrate AI into their operations, and some may face disruption from more agile competitors. Careful credit and equity selection will be essential.

Value Still Seems Available for Ultimate AI Adopters

Forward Price-to-Earnings Ratios



Source: Guggenheim Investments, Bloomberg, Goldman Sachs. Data as of 1.12.2026.

While some industries are better positioned for adoption benefits, identifying winners will likely be more about individual company selection to identifying differentiated use cases—after all, if every company in an industry is

using the same AI tools, productivity improvements simply become the new baseline, with gains passed on to consumers rather than retained as profit.

Theme 3

Physical Infrastructure Investments Will Create Attractive Opportunities for Experienced Investors

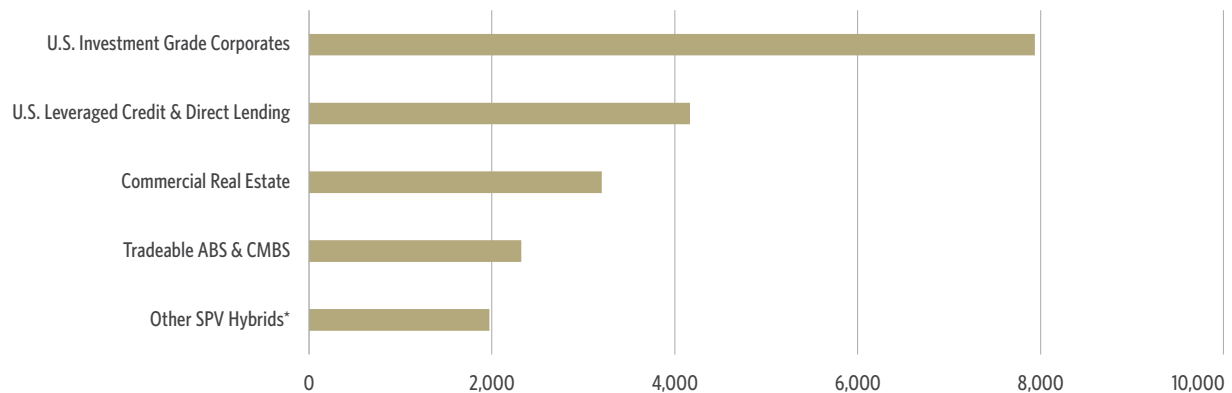
Data and energy infrastructure sit at the heart of AI with attractive, contract-backed return profiles, but a selective approach is needed as issuance ramps up.

The buildout of the physical infrastructure that underpins AI will create new opportunities for investors, and unique risks. The global construction of data centers is proceeding at a rapid pace, with projections ranging from \$3 trillion to \$7 trillion in investment by 2030. Demand for high quality computing capacity is currently outstripping supply, with reports that both Microsoft and Google are metering customer access to their cloud resources. Vacancy rates at data centers are also historically low and hardware lead

times stretch out years. This stark supply-demand imbalance suggests that infrastructure investments could deliver strong returns in the near to medium term. However, current estimates imply that U.S. data center capacity will more than double over the next five years, and it remains difficult to assess whether all of this capacity being added will create enduring value for initial investors, particularly as technology evolves and older facilities face obsolescence risk.

Financing for AI Infrastructure Buildout Will Span Sectors

USD Market Outstanding



Source: Guggenheim Investments, Bloomberg. *Other SPV Hybrids are bonds of comparable structures to bonds issued by Beignet Investor LLC in 2025.

Technology companies are increasingly turning to debt markets to fund growing AI infrastructure investments. Issuance is spanning markets as companies pursue opportunistic funding strategies, increasing the complexity of new issues. Deal terms are also becoming more bespoke, blurring the lines between corporates, ABS, and hybrid SPVs. For investors, the growing breadth and complexity of infrastructure financing raises the importance of assessing risk and return across markets and structures.

In this environment, we see the greatest value in secured investments tied to newer, more efficient data centers with high-quality tenants and long-term lease contracts. These

investments offer predictable cash flows and less downside risk, in contrast, older co-location properties that may struggle to compete as efficiency standards rise or that have shorter-lease contracts may leave fixed income investors exposed to obsolescence risk. Digital infrastructure (e.g., data centers, fiber) ABS issuance is rising quickly, more than doubling in 2025, highlighting the need for careful scrutiny of deal terms and tenant quality.

Energy infrastructure represents another compelling hard asset investment within the AI ecosystem. Under most scenarios, the United States is constrained by its ability to produce and transmit the energy required to power AI data

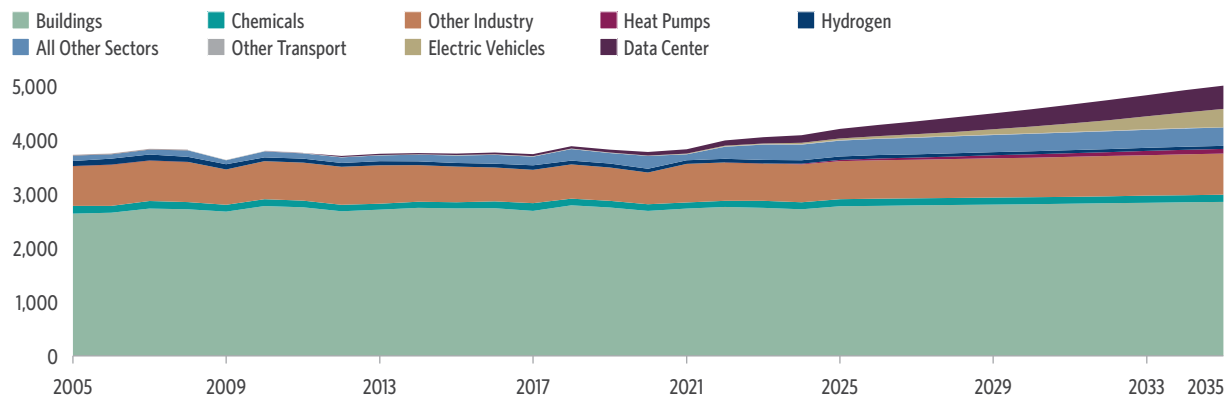
Theme 3 (continued)

centers and related infrastructure. After decades of subdued growth, U.S. electricity demand is expected to rise by up to 25 percent by 2030, driven not only by explosive growth in AI needs but also by broader electrification trends. With public budgets stretched, private capital will be essential to filling

the investment gap, while governments should be supportive through policy measures given the strategic priority of AI. We believe energy infrastructure is currently under-owned by investors, presenting an opportunity to capture attractive risk-adjusted returns in power generation and transmission.

Data Centers Will Account for Bulk of Rising Electricity Demand

Electricity Demand by Sector (TWh)



Source: Guggenheim Investments, BloombergNEF. Data as of 4.15.2025.

Issuance across fixed income sectors to fund complex hard asset projects will create new opportunities for investors to achieve attractive secured returns, but this opportunity comes with greater complexity and new risks.

The environment favors investors with integrated credit capabilities rather than those operating within a single market or sector.

Theme 4

AI Should Contribute to Attractive U.S. Yields

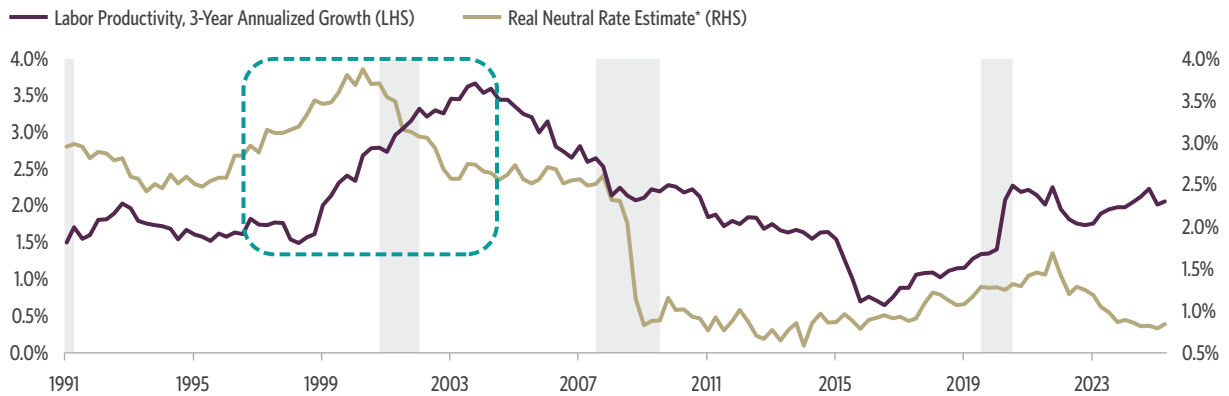
Opposing forces are likely to leave fixed income yields at attractive and rangebound levels.

As AI plays a growing role in the economy and markets, there will be different forces on bond yields, lifting real yields and potentially damping inflation, creating an attractive backdrop for fixed income investment.

The potential for a sustained period of elevated investment has important implications for the interest rate environment. Strong expected productivity growth tends to lift demand

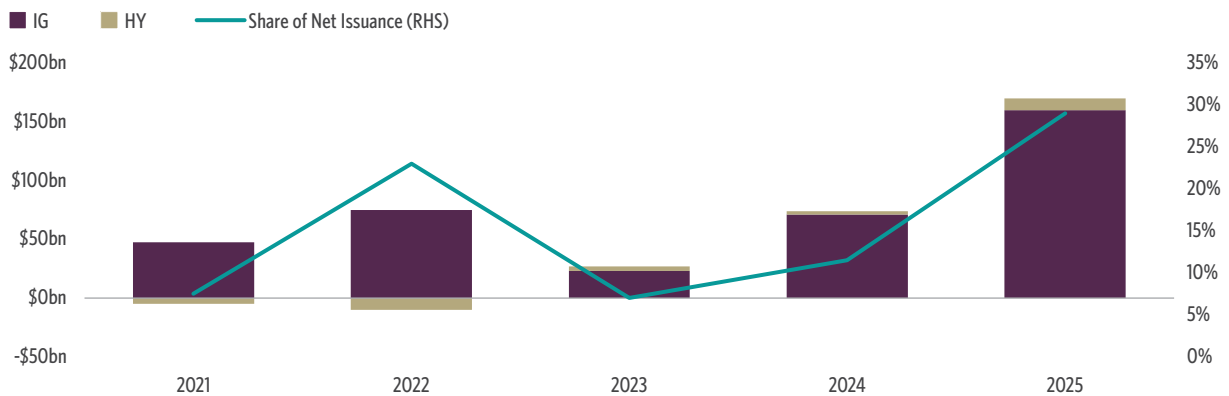
for investment, as businesses seek to capitalize on new opportunities and expand their operations. This dynamic typically keeps real yields elevated, as strong demand for capital competes with available supply. A notable example of this dynamic was the late 1990s, when estimates of the short-term neutral rate ("r-star") rose by over 1 percent by the end of the decade as productivity growth took off.

High Productivity Growth Periods Can Contribute to Higher Real Neutral Interest Rates



Source: Guggenheim Investments, Haver Analytics, Bureau of Labor Statistics, New York Fed. *Holston-Laubach-Williams estimate.

AI-Related Issuers Delivered Significant Net Supply in 2025



Source: Guggenheim Investments, Goldman Sachs. Data as of 11.17.2025. AI-related issuers refer to members of the Goldman Sachs TMT AI Basket Index

We have begun to see this demand for investment in credit markets, with hyperscaler capex plans stretching above \$600 billion by 2027. If net issuance stays near 20 percent of their annual capex as was the case in 2025, hyperscalers alone could add roughly \$100–120 billion in net supply, compared with about \$500 billion in total investment-grade net issuance in 2025. Most issuers have room to take on this debt, though the added supply is likely to put modest upward pressure on spreads as markets absorb it.

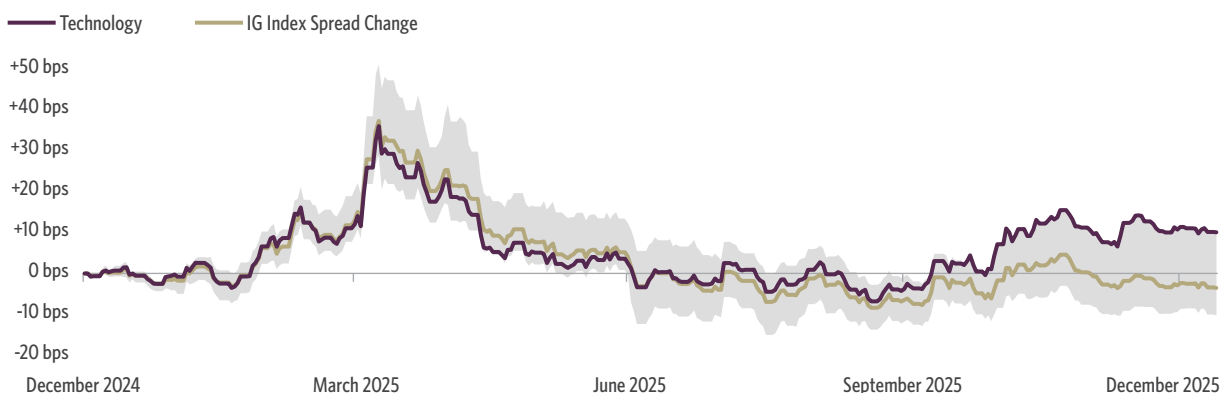
While investment could push up real rates and borrowing needs could lift credit spreads, a few factors work in the opposite direction. Over the medium term, productivity gains

from AI could help contain inflationary pressures by increasing economic capacity and reducing costs, even as growth remains robust. Productivity growth during the 1990s contributed to core personal consumption expenditures averaging 1.6 percent from 1996 through 2000.

Surprises on the path to AI adoption could also lead to volatility in rates. In the near term, there could be offsetting growth effects from AI if labor demand weakens materially, exacerbating economic bifurcation and downside risks to growth. Overbuilding of AI infrastructure and a resulting normalization of elevated equity valuations would also put downward pressure on interest rates.

Increased Corporate Bond Supply Is Lifting Credit Spreads

Cumulative Change in Investment-Grade Corporate Bond Spreads by Sector



Source: Guggenheim Investments, Bloomberg. Data as of 1.12.2026.

In summary, the implications of AI for fixed income markets are nuanced and the drivers will likely shift over time. With no one-size-fits-all prescription, investors will need to be attuned

to which factors are winning out. Active management of both interest rate and credit risk will be more crucial than ever in coming years to navigate these shifts.

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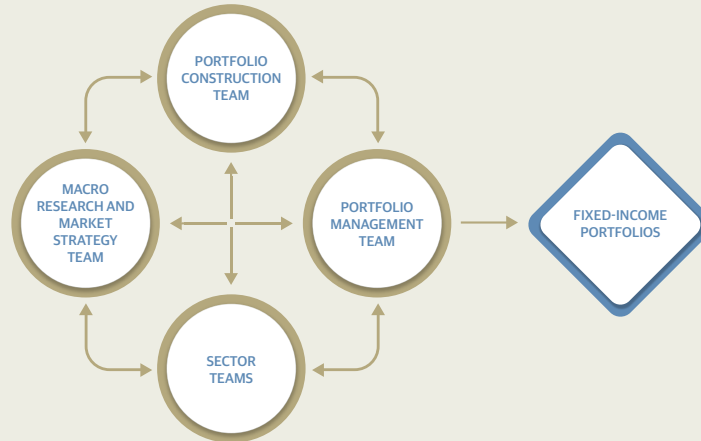
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