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Audrey 1

Dear investor friends, good Thursday morning, everyone!

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I'm Audrey Lim, your "Golden Envoy."

It's so good to see you all again, and welcome to the new friends who have recently joined Cohort 7.

There's been quite a bit of news worth watching in the AI industry these past few days. Oracle continues to expand its AI infrastructure buildout, and Microsoft and Google reported their latest quarterly results after the close yesterday.

At the same time, Wall Street is also discussing how enormous the funding needed to build out AI is becoming, and how financing conditions may tighten.

These stories seem to contradict each other: if AI demand is so strong, why has funding become the focus instead?

In fact, that contradiction is exactly what we'll be studying today. A technology can have enormous commercial prospects, but not every company taking part in this wave of investment will necessarily earn ideal returns.

Today, we're not rushing to judge whether AI is a bubble or a

long-term opportunity. Instead, we'll start from funding sources, capex, cash flow, and company valuations, and together study the real logic behind this investment boom.
I hope what you take away isn't just a few data points, but a research method that can help you judge a company's value yourselves.

Audrey 2

Let's start with the most basic question: why does AI infrastructure require so much money?
Training and inference for AI models require enormous amounts of computing power.
Building AI data centers, in turn, requires GPUs, networking equipment, storage systems, power, cooling facilities, and land.
These investments often have to be paid for up front, while revenue takes time to come in gradually.
That's the first contradiction in the AI industry: the money has to go in first, but the returns don't arrive at the same time.
When a company decides to build a new data center, it first

has to purchase equipment, complete construction, and pay the related costs.

Even if customer demand is strong down the road, a project can still be affected by power supply, construction schedules, equipment delivery, and customers' deployment timing.

So we can't just ask how big the AI market is. We also have to ask:

How much money goes in?

How soon does it start generating revenue?

After operating costs and follow-on investment, how much cash is left?

These three questions determine whether AI expansion can turn into sustained economic value.

Audrey 3

Recently, Wall Street has been pointing to a phenomenon worth taking seriously:

Financing costs for some AI infrastructure bonds and loans have risen, and banks and other providers of funding are also paying closer attention to whether risk can be transferred,

and who ultimately bears it.

We need to distinguish between two things here.

The first is that the AI industry needs large amounts of funding. The second is whether financial markets are willing to provide that funding at a reasonable price.

They're not the same question.

If a project has reliable contracts, a clear source of revenue, and a sound financing structure, investors may be willing to provide funding.

But if a project depends heavily on future refinancing, hasn't yet generated cash flow, or has very high customer concentration, lenders may demand higher interest rates and stricter terms, or may even be unwilling to take part.

Of course, today's financing bottleneck doesn't mean the entire AI industry is about to decline. But it will force the market to be more careful in distinguishing quality projects from high-risk ones.

This is an important reminder for investors:

We can't just chase the fastest-growing companies. We also have to study whether they can keep getting funding, and whether the cost of capital will eat into expected returns.

Audrey 4

So where does the money for AI projects actually come from?

AI companies can typically raise funding through several channels: cash flow generated by their own operations; issuing stock or bringing in equity investors; issuing bonds or applying for bank loans; and customer prepayments, supplier arrangements, and project financing.

Every one of these approaches has a cost.

Using its own cash can reduce new debt, but it uses up money the company could otherwise put to other uses.

Issuing stock can bring in more funding, but it may dilute existing shareholders' ownership.

Borrowing preserves equity, but it means paying interest and taking on repayment and refinancing risk.

Customer prepayments can improve cash flow, but they usually come with contractual performance obligations, and they don't mean the company has already earned a profit.

So when you see a company announce that it has secured massive financing, you shouldn't immediately read it as good news.

You also have to look at the pricing, the maturity, any attached conditions, and whether the funding is enough to carry the project to the point where cash flow turns positive. No form of financing is free.

What really matters is whether the cost of financing is reasonable, and whether the company's future operating returns can bear those costs.

Audrey 5

Next, let's look at a very representative case: Oracle.

Recently, Oracle's stock has been drawing market attention. The company is also continuing to expand its AI infrastructure partnerships and computing capacity buildout, and its stock surged 10.73% yesterday.

At the same time, investors have been focused on how much funding its enormous AI buildout requires, and when those investments will turn into revenue and free cash flow.

Right now, both of these things are true: the market can be bullish on Oracle's future cloud business growth, while also worrying about its current capex, financing costs, and cash

flow pressure.

Oracle's stock rising reflects the market repricing its expectations for the future. It doesn't mean all the financial risk has disappeared.

So when we study Oracle, we can't just look at how much it rose on a single day.

We also have to study whether customer contracts can be delivered on, whether data centers can be handed over on schedule, whether the financing arrangements are sustainable, and whether future cash flow can gradually cover the investment.

That's an important way to tell market enthusiasm apart from a company's real value.



Audrey 6

There's another thing worth watching in Oracle's AI infrastructure investment: the relationship between its enormous capex and its future free cash flow targets. Oracle expects that it will still need to invest in AI infrastructure on a large scale over the next few years, and it will explain its financing plans and cash flow targets to the market.

Free cash flow generally refers to what's left of operating cash flow after capex. It helps us see how much cash a company has left after maintaining and expanding its business.

If a company keeps building, free cash flow may come under pressure for a while.

But if the investment brings stable contracts, continuing revenue, and reasonable profits, cash flow pressure at certain stages doesn't necessarily mean the investment has failed.

Conversely, if construction is delayed, customer demand changes, or financing costs keep rising, the returns originally expected could be pushed back.

So what really needs to be tested isn't how big the capex is, but whether the relationship between the investment and future cash returns is reasonable.

Audrey 7

Next, let's look at Meta.

The company is expanding its AI infrastructure investment, and the market is also continuing to watch the scale of its capex, how it's financing it, and its future returns.

Even with a powerful advertising business, Meta needs to find additional funding for new long-term investments.

That's because data centers, computing capacity, and AI products require money up front, while new revenue and cash returns don't necessarily show up at the same time.

Meta has used equity financing. Equity financing can add to its sources of funding, but it may dilute existing shareholders' ownership.

Debt financing, on the other hand, adds interest expense and future repayment obligations.

Using its own cash means the company gives up the chance

to put that money toward other projects.

So analyzing Meta can't stop at the capex figures. We also have to look at whether operating cash flow, cash reserves, financing arrangements, and future business growth line up with each other.

Having plenty of capital is an advantage, but how efficiently that capital is used determines how much value that advantage ultimately creates.

At the same time, high capex doesn't automatically mean the investment has failed.

What matters is whether the company can show that these investments have a reasonable, sustainable path to returns.

Audrey 8

Friends, after our discussion so far, we've seen that both Oracle and Meta are investing in AI on a large scale, but their business structures, revenue sources, and financing approaches aren't exactly the same.

Oracle provides computing capacity to customers through cloud infrastructure and other businesses. Meta applies AI to

ad delivery, recommendation systems, content distribution, and other products.

So the two companies' paths to investment returns aren't the same.

We can't just compare the two companies' total capex. We also have to study how revenue is generated, how stable customer contracts are, how long it takes to see returns, and whether the company has enough cash flow to carry the construction costs.

For a cloud infrastructure provider, the key questions are capacity utilization, customer contracts, and construction schedules. For an advertising platform, the key questions also include whether AI can improve ad performance, user engagement, and monetization.

The same AI boom doesn't mean the same business model, and certainly not the same investment risk.

When we study a company, we should analyze it within its own business model and financial structure, rather than automatically applying the same valuation logic just because it belongs to the AI industry.

Audrey 9

Now let's look at Microsoft.

In fiscal Q1 2027, Microsoft's revenue was $92.3 billion, up 19% YoY. Azure revenue was about $33.17 billion, up 48% in constant currency, and capex for the quarter was about $39.37 billion.

These numbers show strong cloud business growth, along with enormous infrastructure investment. The two have to be looked at together.

Azure's growth shows that demand is turning into revenue. But capex shows that the company is still putting large amounts of money into expanding its computing capacity.

There's a time lag between the buildout investment and the revenue coming in, and the new revenue also has to cover operating costs, depreciation, and follow-on investment.

So we can't just look at how fast Azure is growing. We also have to watch whether these investments can bring enough incremental profit and cash flow down the road.

For investors, the Microsoft case shows this: strong demand is an important advantage, but returns on capital still need to

be verified.

Audrey 10

Next, let's look at Google.

Google's Q3 revenue was about $127.6 billion, up 25% YoY.

Google Cloud revenue was about $30.71 billion, up about 102.6% YoY, and capex was about $51.36 billion.

The cloud business's rapid growth shows that AI-related demand is turning into commercial revenue.

But the earnings report is also a reminder that we can't pick out only the most impressive business numbers and ignore the combination of the company's overall revenue, profit, and capex.

When a company expands its investment in data centers and computing infrastructure at the same time, a clear time lag opens up between short-term cash flow and long-term growth.

At the same time, we also need to distinguish between the actual results management reported, market consensus, and forward guidance.

Surpassing the same period last year isn't the same as surpassing market expectations, and surpassing expectations doesn't guarantee the stock will rise.

In after-hours trading yesterday, GOOGL fell about 10%.

So professional earnings analysis isn't about looking for one pretty number. It's about judging whether a company's new investment can keep creating economic value.



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Friends, so far we've looked at Oracle, Meta, Microsoft, and Google.

Their business models are different, but they all face one common problem: how do they get their enormous AI investments to produce sustainable returns?

There are three concepts worth keeping straight:

Revenue is the income a company earns from selling goods or services.

Net income is accounting profit after deducting the related costs and expenses.

Free cash flow, meanwhile, helps us see how much cash is left once capex comes out of operating cash flow.

A company can have fast-growing revenue, but if it has to keep putting in more money to sustain that growth, free cash flow may come under pressure.

That doesn't mean a short-term decline in free cash flow is necessarily a bad thing.

What matters is whether the company can explain what the money is being used for, the timeline for investment returns,

and the path of future cash flow.

So whether an AI investment succeeds can't be judged just by how many data centers a company has built or how many chips it has bought.

We have to look at how much sustainable cash return those investments ultimately create.

Audrey 12

Friends, today's U.S. economic data deserve attention.

Third-quarter GDP grew at an annualized rate of 3.4%, above the 3.2% market expectation. September core PCE inflation rose 3.1% year over year, still above the Fed's 2% target.

Initial jobless claims fell to 194,000, suggesting the labor market remains resilient for now.

My assessment: Economic growth remains strong, but inflation pressures persist, and interest rates may stay higher for longer.

What does this mean for AI?

Strong growth can support business demand, but persistently high financing costs increase the pressure on returns from

massive AI capital spending.

ADI research must therefore look beyond economic growth and assess inflation, financing costs, and corporate cash flow to determine whether growth can translate into profits.

Audrey 13

Dear friends,

Beyond the level of interest rates, the market is also watching the Fed's approach to policy communication, its strategic review, and its balance sheet framework.

Yesterday, at the press conference, Kevin Warsh said that the Fed will reduce forward guidance, change the FOMC meeting schedule, re-examine the balance sheet and monetary policy transmission, and put more emphasis on productivity, monetary indicators, and long-term inflation analysis.

If forward guidance is reduced in the future, the market may rely more on newly released inflation, employment, and growth data to judge the path of interest rates.

If balance sheet policy changes in a substantive way, it could also affect bank reserves, bond liquidity, and financial

conditions.

That said, we need to be clear that the Fed's dual mandate is still maximum employment and price stability.

Going forward, what investors need to watch is how the policy framework changes market expectations and financial conditions, rather than simply remembering the label attached to a particular chair.

Audrey 14

Friends, when financing costs for AI companies rise, the impact won't stay in the bond market alone.

Higher financing costs may lower the expected return on a data center project. If a project is delayed, equipment orders and revenue recognition may also be pushed back. If companies cut capex as a result, suppliers of upstream chips, networking equipment, and power infrastructure could be affected.

But this chain of transmission doesn't happen automatically. Companies with plenty of cash, solid contracts, and high project returns may keep investing. Projects that depend on

external financing or have uncertain customer contracts are more likely to come under pressure.

That said, the stock market reflects expectations in advance. If investors have already fully priced in the risk, the stock may not keep falling sharply after the bad news comes out. If the market is still too optimistic, a change in financing conditions could trigger valuation adjustments.

So when we study financing risk, we can't just ask, "Are interest rates going up?"

We also have to ask which companies' investment plans, earnings expectations, and valuations will change as financing costs rise.

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Today, we studied the sources of AI funding, Oracle's and Meta's investment plans, Microsoft's and Google's earnings reports, economic data, and the Fed's policy framework.

This is exactly the kind of research scenario where EONVERA ADI has a role to play.

The Financial World Model helps organize macro, market,

and company information.

The Adaptive Model Foundry looks at whether models remain valid across different market environments.

The Machine Investment Committee compares different research views.

Scenario & Causal Intelligence tests different paths of development.

Heterogeneous & Quantum Computing supports complex computational research.

Intelligent Risk Governance checks risk boundaries.

But I want to stress this: ADI's value isn't in turning all the signals into one answer that sounds certain. It's in helping us compare evidence, scenarios, and risks more systematically.

For example, we can set up three scenarios:

AI demand keeps growing, and cash returns materialize.

Demand remains strong, but financing costs rise.

Capex slows, and some projects have difficulty refinancing.

Each scenario should come with indicators to track, rather than just delivering one optimistic conclusion.

A company truly worth studying should have growth opportunities, as well as explainable sources of funding and a

credible path to returns.

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Dear investor friends,

Thank you all so much for taking the time to explore with me the funding, risk, and returns behind the AI industry.

Today, we talked about the computing demand behind AI training and inference, and we also discussed the investments Oracle, Meta, Microsoft, and Google are making in AI infrastructure.

I hope you'll remember this: investing isn't about chasing every hot opportunity. It's about gradually learning to see the value behind an opportunity, and also to see the risk you have to take on.

At Eonvera Capital, we hope to use EONVERA ADI to make our research more systematic and to ground our judgments in evidence.

Whether you're a new friend who has just started learning about investing, or an old friend who has been through many rounds of market ups and downs, there's no need to rush to

master everything.

We can start with a question, with an earnings report, or with a careful look at the market.

Build up slowly, and keep learning.

It's okay even if you haven't found the answer yet.

If something in today's session got you thinking, or there's anything you haven't figured out yet, feel free to talk with me in the group anytime.

You can also reach me through the following:

May we not only learn here how to understand the market, but also build confidence, patience, and the ability to judge independently through continued learning.

Wishing everyone a rewarding day, a happy life, a sense of direction in your heart, and discipline in your investing.

See you tomorrow ❤