



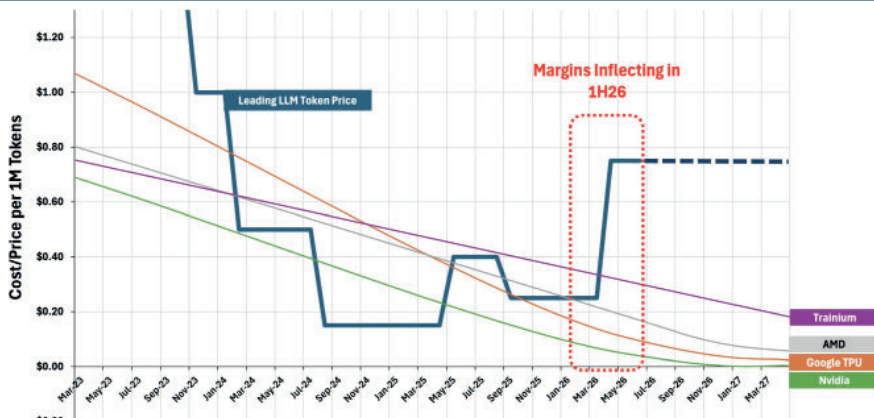
Market Views

- U.S. equity indices continued their low-volatility bull run in May, with solid corporate earnings and optimistic geopolitical updates regarding U.S.-Iran talks pushing the major averages to new all-time highs. While technology and pure-play AI infrastructure names maintained strong momentum, the late-month rally broadened out significantly, allowing the Dow Jones Industrial Average to cross the 50,000 milestone and touch record territory alongside the S&P 500 and Nasdaq.

AI Frontier Spotlight

- **Frontier model capabilities.** Following the limited release of Claude Mythos, Anthropic’s newest large language model that excels at coding and reasoning, the model was set loose on more than 1,000 open-source projects via Project Glasswing. Mythos flagged 23,019 potential vulnerabilities, 6,202 of them estimated as high or critical security. Of 1,752 high- or critical-rated findings reviewed by six independent security research firms or by Anthropic itself, over 90% were confirmed as valid, and over 62% were confirmed to be high or critical. We believe these results demonstrate that autonomous AI has officially graduated from a proof-of-concept into a highly scalable, industrial-grade cyber defense tool.
- **Frontier model monetization.** The commercial frontier of generative AI has reached an unprecedented trajectory this May, characterized by a historic revenue ramp for the industry’s two dominant foundation model providers. Driven heavily by B2B API integrations and workload-scaled developer tools like Claude Code, Anthropic’s 2Q revenues are projected at \$10.9B, representing a \$45B annualized revenue run-rate, marking a blistering acceleration from just \$9 billion annualized revenue at the end of last year. Meanwhile, OpenAI’s enterprise business has similarly transformed, with the company maintaining a \$24 billion to \$30 billion revenue run-rate fueled by a massive capital injection and expanding enterprise adoption. While reporting on company margins is still less reliable, the absolute value and growth rate of revenues for these two companies is astounding.

Food for Thought



Source: Data compiled by Goldman Sachs Global Investment Research

- **How are the underlying token economics changing?** The two most important questions underpinning the entire AI infrastructure buildout are 1) how does the cost per token trend over time and 2) where does the revenue/token end up? Hyperscalers are betting hundreds of billions of dollars that the latter will be higher than the former. For the first time in over two years, token pricing meaningfully exceeds token cost, which should lead to expanding profitability for the major hyperscalers. As we look to the future, the willingness to pay for tokens will become the most pressing question, as scale should largely take care of the token costs.

- **Can the AI investment super cycle maintain its pace?** The sheer velocity and scale of the AI infrastructure buildout by a small subset of well-capitalized companies has intensified the debate regarding its long-term durability. Skeptics are quick to highlight the slow pace of monetization and still unknown capital efficiency metrics as basis for an impending slowdown. Despite the lack of “concrete” evidence, hyperscalers are pushing forward with gargantuan investments, stating still highly positive investment ROIs. This arms race is set to continue, with ballooning backlogs and seemingly unlimited capital racing to create and monetize the first artificial general intelligence.
- **Can gene editing therapy transform the cardiovascular disease treatment paradigm?** Coronary artery disease is one of the leading causes of death worldwide, and over the past 40 years, doctors have used statins and then PCSK9 inhibitors to lower low-density lipoprotein (LDL or “bad”) cholesterol. Despite these novel treatments, uptake has been limited. For statins, many patients can’t tolerate the joint and muscle pain, while others quit taking PCSK9 inhibitors early because of access barriers or dissatisfaction with their benefits. May 2026 brought us another path. An experimental base-editing medicine succeeded in an early-stage trial, where PCSK9 levels dropped between 55% and 88% while LDL levels fell between 9% and 63%, where importantly there were no treatment-related adverse events. Despite being early, gene editing is paving an exciting pathway to significantly reduce the cause of ~15% of all global deaths.

Monthly Podcast Spotlight

- **Gavin Baker on Invest Like the Best Ep. 473.** Gavin Baker is the Managing Partner and CIO of Atreides Management. The episode covers what Gavin sees as the most important moment in the history of capitalism, why TSMC has the power to single-handedly prevent an AI bubble, and the new prisoner’s dilemma facing frontier labs. This podcast provides an interesting look at frontier model revenues, various AI bottlenecks, and how the shift to usage-based pricing models is steering society into a high-risk, high reward era.

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