the ithaka group
Concentrated Growth Equity Managers

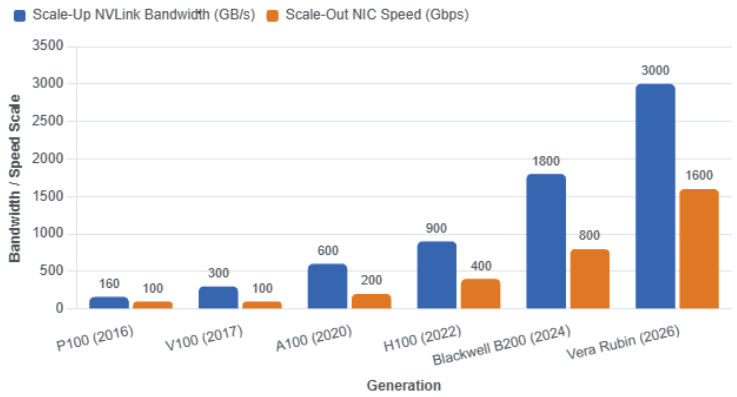
Market Views

- In October, U.S. equities underwent a violent rotation from growth to value, driving the S&P 500 Equal Weight Index to its largest monthly outperformance versus the market-cap benchmark since 2009. Corporate profitability proved remarkably sturdy with near 15-year peak net margins of 14.9% and an 80%+ earnings beat rate, yet high-multiple AI infrastructure and memory names observed forward P/E multiples compress. Macro crosscurrents exacerbated the multiple derating, highlighted by the Federal Reserve holding the policy rate at 3.75%–4.00%, while re-accelerating energy and core services inflation pushed December rate hike expectations past 80%. Rounding out the backdrop, markets front-ran the impending midterm elections by pricing in a divided legislature as an effective constraint on deficit expansion, policy risk, and the buildout of AI infrastructure.

AI Frontier Spotlight

- **Navier-Stokes.** In early September, OpenAI announced that a multi-agent AI system resolved one of the seven outstanding Millennium Prize Problems in mathematics. The AI model generated a computer-verified formal proof that showed standard fluid equations can break down, illustrating even with smooth, normal starting conditions, a 3D fluid can swirl so violently its speed becomes infinite in a finite amount of time. This particular proof had confounded mathematicians for ~200 years and became one of the seven Millennium Prize Problems in May 2000. Incredibly, OpenAI was able to solve this problem with 10,000 coordinated AI agents in compute costs.
- **Agentic AI reaches the public**. Four years after the debut of ChatGPT, consumer artificial intelligence has crossed an inflection point: the arrival of "always-on" agentic AI. Through platforms such as Grok Bot, Muse, Dots, and Duet, developed by xAI, Meta, OpenAI, and Anthropic, autonomous agents are shifting from passive conversational interfaces to proactive digital executors. Rather than simply generating text, these agents handle high-friction administrative functions, such as auditing subscriptions, securing hard-to-book appointments, and rebooking disrupted travel, while synthesizing complex personal workflows like inbox triage and vendor procurement. By enabling true asynchronous delegation, agentic AI transforms manual, fragmented screen time into streamlined background execution.

Food for Thought



Source: NVIDIA

- **Can optical interconnects overcome the copper reach barrier?** While the exponential growth of compute density due to scale-up and scale-out networking is grabbing headlines, AI cluster architecture is rapidly hitting an interconnect wall. As individual GPU clusters scale into hundreds of thousands of accelerators, moving petabits of data across server racks creates severe physical constraints: standard copper cabling becomes too thick, too hot, and loses signal integrity over distances greater than a few meters. Active electrical cables provide an interim bridge inside the rack, but cluster-scale communication increasingly demands co-packaged optics and optical transceivers to replace copper entirely. If photonic interconnects become the mandatory conduit for training and low-latency inference, the primary bottleneck in AI networking shifts from pure silicon logic to precision optical packaging.
- **Can second-generation metabolic therapies separate weight loss from muscle wasting?** First-generation GLP-1 (Trulicity) and dual GIP/GLP-1 (Zepbound) receptor agonists established one of the largest pharmaceutical market expansions in history, but they share a significant clinical drawback: as much as 25% to 40% of total weight lost comes from lean muscle mass rather than adipose tissue. For chronic metabolic management, this muscle loss carries substantial long-term risks. The next frontier in metabolic medicine is shifting beyond appetite suppression to body composition quality. Novel therapeutic mechanisms, such as amylin analogues, activin receptor blockers, and triple agonists, aim to deliver significant fat loss while actively sparing or rebuilding skeletal muscle. As these assets advance through clinical pipelines, the biopharma leaders that successfully crack this lean-sparing code will effectively establish the pricing power and treatment durability benchmark for the entire obesity paradigm.
- **Will agentic commerce shift digital retail from capturing human attention to optimizing machine-to-machine execution?** For twenty years, online retail has been a battle for eyeballs, monetized through search placement, storefront design, and brand advertising. Autonomous AI agents threaten to bypass that entire visual funnel—interpreting a user's intent, comparing real-time inventory across merchants, negotiating terms, and executing checkout independent of human involvement. Because software agents evaluate structured specifications, price, and fulfillment speed rather than emotional branding, merchants are forced to rebuild their digital storefronts to appeal to machine-readable APIs. Over the coming years, this structural shift from human browsing to autonomous delegation could erode the pricing power of traditional digital ad tolls while concentrating value in deep fulfillment networks and merchant infrastructure platforms.

Monthly Podcast Spotlight

- **Jensen Huang on Bg2 Ep. 41.** Jensen Huang is the founder of NVIDIA. The episode covers why Jensen believes aggressive AI capital expenditure will continue unabated across enterprise reasoning, neoclouds, and physical AI, even as land and power constraints shift the industry's focus toward maximizing token output per watt. He emphasizes AI safety and performance should evolve hand in hand through rigorous engineering, expressing confidence that open-source innovation and scalable compute will drive widespread economic expansion.

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Have additional questions? Contact: info@ithakagroup.com
www.ithakagroup.com