THE INVESTING GROUP

October 26, 2026 Meeting Summary

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Introduction

We held the latest meeting of The Investing Group on Monday, October 26, 2026, at the Union League Club of Chicago in Room 816. The evening opened with a small Chinese food company whose stock Nasdaq has frozen for more than a year, including a promised reopening that came and went without a single trade. The Iran war came next. Now in its eighth month and waiting on the midterm calendar, it has sorted tanker funds, defense primes, and drone makers into clear winners and losers. In Brazil, a surprise election result erased a fifth of the country's market value in a single morning. Artificial intelligence claimed the heart of the evening. Microsoft offered buyouts to more than a quarter of its workforce, Anthropic filed to go public the same day, and its new public benefit fund may be the first draft of a privately funded safety net. The night closed with genetically engineered military dogs and a lightning round on Opendoor, Sterling Infrastructure, Netlist, and the largest railroad merger in American history.

The common thread was rules, and how often the people who write them change the game while it is being played. An exchange decides when a stock may trade, and then decides again. A president decides when a war resumes, and the calendar decides for him. Voters overrule a prediction market that gave the other side an 80 percent chance. A software giant rewrites its employment contract, an AI lab writes its own social contract into a prospectus, courts decide what an AI company may read, and a startup builds a dog for which no regulator has written a rulebook at all. Investors spend most of their time pricing outcomes. This meeting was a reminder to also price the referee.

1. CN Healthy Food Tech (UCFI) and the Halt That Never Ends

The usual opener at these meetings is the craziest small-cap mover of the past two weeks, the 1,000 percent runner that gets everyone's attention. This time the most extraordinary chart in the small-cap market is one that has not moved at all. CN Healthy Food Tech Group (UCFI) sells healthy foods in China through online and offline channels, with a catalog that runs from a black truffle prebiotic peptide drink to natto gel candy and weight management biscuits. Its operating business sits in Guangdong. It has not traded on a U.S. exchange since the first morning it was listed.

UCFI came public through a special purpose acquisition company, or SPAC, which is one of several routes around the traditional initial public offering. A traditional IPO involves major underwriters, a roadshow, and a price set by institutional demand. A SPAC reverses the order. A shell company raises cash, lists on an exchange, and holds the money in a trust while it searches for a private company to merge with. When the deal closes, the private company inherits the listing without ever running the IPO gauntlet. The structure is faster and cheaper, which is exactly why it attracts companies that might struggle to clear the traditional bar.

The mechanics carry a quirk. Until a merger closes, SPAC shareholders can redeem their shares for their slice of the trust, typically about $10 plus interest, which gives the stock an effective floor near $10. During the SPAC mania of 2020 and 2021, that floor created one of the better

risk and reward setups in the market. A trader could buy near $10 with little downside and hold what amounted to a free lottery ticket on the merger, which often arrived in the middle of a hype cycle and sent the shares well above the floor. Hundreds of deals followed, and most of the companies they produced now trade far below $10, many near zero.

Chamath Palihapitiya, one of the hosts of the All-In podcast, became the face of that era. He was the archetypal celebrity sponsor, part dealmaker and part influencer, using his podcast, television appearances, and a large social media following to market his deals directly to retail investors. Most of the companies his Social Capital Hedosophia vehicles took public, from Clover Health (CLOV) to Virgin Galactic (SPCE), fell 80 to 90 percent or more from their highs. The sponsor economics explain how that outcome can still pay the people running the SPAC. Sponsors typically receive founder shares worth about 20 percent of the company for almost nothing, a stake Wall Street calls the promote. Because those shares cost so little, a sponsor can earn a fortune even when the stock ends up well below $10.

The final piece is the PIPE, short for private investment in public equity. A PIPE is a private sale of new shares to a hand-picked group of investors, usually hedge funds, mutual funds, and strategic partners, at a price negotiated behind closed doors. In a SPAC deal, the PIPE is raised alongside the merger, typically at $10 a share, for two reasons. The first is cash. SPAC holders who redeem take their money out of the trust, and in many deals most of them did, so the PIPE guarantees the company still has enough capital to close the merger and fund its plans. The second is marketing. A well-known name in the PIPE tells retail investors that serious money has done its homework, which helps sell the story. The catch comes after closing. Once the PIPE shares are registered for resale, often within weeks, those investors are free to sell, and many have already hedged by shorting the stock. As SPAC deals soured, more and more PIPEs came with discounts, warrants, or convertible notes that let investors buy below the market price, adding still more dilution. That wave of supply tends to arrive right as the hype fades. The lottery ticket faded along with the mania. Today SPAC shares mostly sit near the floor until the merger closes. Then the floor vanishes and the sponsors collect their cut. Dilution does the rest.

The Florida-based SPAC Iron Horse Acquisitions (IROH) traded quietly near $10 until its merger with UCFI closed on September 30, 2025. On October 1, the stock began trading under its new ticker. It collapsed from the SPAC's $10 level into the $3 range, staged the dead cat bounce that almost always follows toward $6 and $7, and at 11:28 AM Eastern, with shares changing hands around $5.51, Nasdaq imposed a T12 halt. A T12 halt is a request for additional information, and unlike the five and ten minute volatility pauses that interrupt fast-moving stocks every day, it has no timetable. It lasts until the exchange is satisfied.

The problem turned out to sit in Beijing. Since 2023, Chinese companies listing overseas must complete a filing with the China Securities Regulatory Commission, the country's securities regulator. UCFI listed without completing it. In May 2026, the CSRC fined the operating company 3 million yuan (about $450,000) and imposed another 2.2 million yuan (about $330,000) in combined penalties on the executive responsible for the filing and on the law firm and lawyer involved. Nasdaq sent a delisting notice in July, and the company appealed. On October 7, a Nasdaq hearings panel allowed UCFI to remain listed under a one-year monitor,

citing a misstatement about its CSRC filing status in a September 2025 disclosure. On October 16, Nasdaq announced that trading would resume at 9:00 AM Eastern on Monday, October 19.

At 9:00 AM on October 19, nothing happened. A week later, on the evening of our meeting, UCFI was still halted. Nasdaq has offered no public explanation. The CSRC had already imposed its penalties, a Nasdaq panel had approved continued listing, and the exchange itself had set a time to resume. The stock still did not trade.

Short sellers caught in the halt keep paying fees while they wait for it to end. A short position accrues borrow fees every day it remains open, halt or no halt, and those fees on a hard-to- borrow Chinese small cap can be steep. Covering is not an option in the usual sense. A regulatory halt stops trading everywhere, since FINRA rules also halt off-exchange trading in a stock whenever its listing exchange declares one, so there is no market to buy shares back

in. The only exit people pursue is finding someone stuck on the other side: a long holder who also wants out. The two sides then try to arrange a private transfer of shares through their brokers at the last traded price, which in UCFI's case is $5.51, the level where Nasdaq froze the stock. That lets the short return the borrowed shares and gives the long holder cash. It is a slow and uncertain process. It depends on finding a willing counterparty, and on both brokerages and their compliance departments agreeing to handle a transfer in a halted stock, which many will not. For any UCFI holder who gets one done, $5.51 is almost certainly a far better price than the eventual reopening will offer.

That expectation rests on history. A T12 halt usually ends with the stock opening 90 percent or more lower, because the exchange's question is typically some version of why the stock moved, and companies of this kind rarely have a good answer. Halts of this length are rare, and most resolve in weeks. UCFI is a reminder that the tail can be very long, and that this corner of the market has gotten more brazen as more Chinese issuers treat U.S. listing rules as suggestions. The China Hustle, the 2017 documentary discussed at the prior meeting, is more relevant every month.

A T12 halt exists to protect investors, and this one shows how far the reality can drift from that intent. More than a year into the UCFI halt, long holders cannot sell, short sellers cannot cover, and the only party collecting anything is the lender earning borrow fees. There is a real edge in shorting these names, and every few years a T12 halt like this one arrives to collect a toll on it. Small caps remain the clearest proof that markets are not efficient. Sometimes the inefficiency is in the price. Sometimes it is in the rules.

2. Iran: Decision Time, Deferred Until After the Vote

Eight months after the first strikes, the Iran war has settled into a pattern familiar enough to have its own rhythm: a report of a breakthrough, a denial, a threat, a deadline. Crude oil kept time. Brent topped $117 on Friday, October 23, its highest level since March, and opened the week of our meeting near $110, with West Texas Intermediate above $100. Around the weekend before the meeting, the President said strikes could come "tomorrow" and that the United States "may do another little Epic Fury," while in the same breath offering Iran a "big,

beautiful" deal. He has named Pickaxe Mountain, a deeply buried site near Natanz tied to Iran's nuclear program, as a potential target in threats dating back to July.

The calendar matters more than the rhetoric. The President pledged in a Truth Social post that strikes would not resume before the November 3 midterms, and the Financial Times reported that he put Israeli strikes planned for October 10 on hold until after the vote. On October 21, The New York Times reported that the United States and Israel had drawn up joint plans for after the midterms, with energy sites, nuclear facilities, and missile and drone arsenals among the possible targets. On October 24, United Nations Ambassador Mike Waltz told the Financial Times the war could last another year, while saying he hoped Iran would come to the table before then. Iran, for its part, continues to demand an end to the blockade first.

The consensus at the table was that escalation is likely within weeks of the election. The incentive structure explains why. Prediction markets on the day of our meeting gave Democrats roughly a two-thirds chance of winning both chambers of Congress, and the House looked close to certain. A new Congress is not seated until January 3, 2027, which leaves the two months between the vote and the swearing-in as the window of least resistance. After January, a Democratic majority could constrain funding, force votes, and push for gridlock, though stopping the war outright would require overriding a veto. A funding fight works like a partial brake. It slows things down without ending them.

For traders, the moral questions sit beside a cold read of the incentives. If strikes are likely in November and congressional friction rises in January, then positions tied to escalation have a defined window, with entries ahead of the strikes and exits before the new Congress. Every market participant is free to decide how comfortable they are trading around a war. The calendar, at least, is public.

3. Tankers, Defense Primes, and the Drones Nobody Wanted

The war's clearest market expression remains the Breakwave Tanker Shipping ETF (BWET), discussed at length at the prior meeting. The fund holds near-dated freight futures tied mostly to the crude route from Ras Tanura in Saudi Arabia to Ningbo in China. It closed near $930 on October 26, up about 26 percent for the month and well over 1,000 percent for the year. Few if any U.S. exchange-traded funds have done better in 2026. The obvious question was whether it is time to short it. The obvious frustration was that almost nobody owned it on the way up.

That is how the biggest thematic moves usually work. The theme is visible in hindsight, and its magnitude is almost impossible to forecast in advance. The rise in tanker rates reflects scarcity layered on scarcity: crude that still has to be moved, ships forced onto longer routes around a partly closed Strait of Hormuz, insurers demanding more, and a fleet that doubles as floating storage when the flow of oil becomes unpredictable. Because markets look forward, the trade will likely begin to unwind on the first credible signal of a peace deal, well before any deal is signed. Until then, the momentum belongs to the war's duration, and the war keeps lasting longer than anyone expected.

Defense told a more nuanced story. Lockheed Martin (LMT) rose 7 percent on October 22 after reporting third-quarter sales of $20.7 billion, up 11 percent, and earnings of $7.97 a share against estimates near $7.52. Its backlog reached a record $292 billion, up 27 percent from the prior quarter, including a $52.5 billion multiyear award for PAC-3 MSE interceptors, the Patriot missiles that have become one of the most consumed munitions of the war. F-35 production and sustainment added to the beat, and the company raised its full-year guidance. RTX (RTX), which reported on October 20 with sales of $25 billion, adjusted earnings of $2.26 a share against estimates of $1.78, and a record $340 billion backlog, drew a far more muted response, a sign that the market is paying for company-specific delivery more than for defense as a category.

Lockheed's appeal extends beyond the Middle East. Its valuation and free cash flow have long made it a reasonable value holding within the S&P 500, and the case for defense spending survives any ceasefire. The United States and China have entered something close to a new cold war, and the budget lines that follow from that are unlikely to depend on which party holds the White House in 2029. Palantir Technologies (PLTR), more of a defense software company than a hardware one, has also benefited from that tailwind.

Drones went the other way, which surprised anyone who assumed every war beneficiary would rally together. AeroVironment (AVAV) hit a 52-week low in early October after a broker initiated coverage at Neutral and called fiscal 2027 a transition year. The company lost ground when the Space Force re-competed its $1.4 billion SCAR contract in March, a contract that represented nearly half of its $2.8 billion backlog, and it has since restated interim financials over a goodwill impairment error. Red Cat Holdings (RCAT) has fallen more than 30 percent and trades with the dilution-heavy rhythm common to small defense names, along with a steady cadence of insider selling that, while scheduled, has done nothing for sentiment. The broader pattern looks like a de-rating of the small, high-multiple drone group in favor of the large primes, as cheaper competitors win contracts and capital consolidates around companies that already make money. Red Cat was all over Reddit in April, and the chatter peaked almost exactly at the top. Retail chatter is a useful indicator. It just tends to indicate the exit.

Months ago, the group screened drone stocks looking for a way to play the theme and passed because the financials were poor. That restraint aged well. The tanker trade may have been missed, but nobody needed to regret missing the drones.

4. Brazil's Upset and the Price of a Wrong Consensus

On Sunday, October 25, Luiz Inacio Lula da Silva won a fourth term as Brazil's president, defeating Flavio Bolsonaro 51.79 percent to 48.21 percent, a margin of more than 4 million votes. Bolsonaro, the son of former president Jair Bolsonaro, who is serving a prison sentence for his role in a 2022 coup plot, had led the first round 47

to 45 percent, and prediction markets on Polymarket and Kalshi gave him about an 80 percent chance of winning heading into the runoff. He has refused to recognize the result and said he will ask the courts to annul it, citing a Supreme Court decision that extended voting hours.

Markets had priced a Bolsonaro victory almost as a certainty, in the same way investors piled into Argentina when Javier Milei's party won its midterms last year and every South American asset seemed to catch the updraft. When the consensus broke, it broke violently. On the morning of our meeting, the iShares MSCI Brazil ETF (EWZ) fell as much as 25 percent, Petrobras (PBR) about 15 percent, Itau Unibanco (ITUB) and Nu Holdings (NU) about 20 percent each, Banco Bradesco (BBD) about 29 percent, and XP (XP) more than 50 percent. The Ibovespa fell as much as 17 percent and triggered B3's 30-minute circuit breaker for the first time since the pandemic, and the dollar jumped as much as 12 percent against the real. MercadoLibre (MELI), founded in Argentina, headquartered in Uruguay, and often described as the Amazon of Latin America, fell more than 10 percent. It sits in the TIG model portfolio, so the shock was felt firsthand.

The rare winner was more instructive than the losers. Lynas Rare Earths (ASX: LYC, OTC: LYSDY), the Australian producer and the largest rare earths miner outside China, agreed on October 1 to acquire Meteoric Resources (ASX: MEI) in an all-stock deal worth about A$968 million, roughly US$672 million, for its Caldeira project in Minas Gerais. Brazil holds some of the largest rare earth deposits in the world and very little mining or refining capacity to match. On September 16, Lula signed a national critical minerals law that includes R$5 billion (about $925 million) in processing tax credits from 2030 through 2034, worth up to 20 percent of project spending, plus a R$2 billion (about $370 million) financing fund. Lynas fell about 6 percent the day it announced the deal and has fallen roughly 50 percent since April. A Lula victory turns that deal into one of the better-positioned assets in the country. His politics are pro-union and less friendly to the margins of ordinary businesses, yet he has been generous to industries he considers strategically national, and critical minerals clearly qualify.

The lesson carried straight back to the American midterms. When Donald Trump won in 2016 against the polls, industrials and shipping stocks surged. A surprise in either direction on November 3 would reprice sectors tied to each party's agenda, and the market already appears to be pricing a Democratic sweep. A Republican hold of either chamber is the scenario fewer people are positioned for. The hard part is emotional discipline, since elections pull investors toward the outcome they want to see. Markets pay the most for being right when the consensus is wrong, and they charge a steep fee to those who mistake a probability for a promise.

Annulment requests make headlines and rarely change outcomes. Losing campaigns in many countries claim fraud, and reversals are vanishingly rare outside of genuinely broken systems. Barring something extraordinary, Lula will be inaugurated in January, and Brazilian assets will need to reprice around four more years of a government the market had already voted against.

5. Microsoft's Buyout and the New Arithmetic of Labor

On the day of our meeting, Microsoft (MSFT) offered voluntary buyouts to roughly 60,000 employees, about 27 percent of a workforce of about 223,000. The memo from chief people officer Amy Coleman extended eligibility to employees at level 70 and below, which reaches

some senior staff up to the vice president level on certain teams, across the United States, Canada, India, and the United Kingdom. Reports differed on the exclusions, but data center roles and parts of sales and marketing were carved out, which says plenty about where the company intends to keep investing. Employees have until early December to decide and would leave by year-end. Microsoft's spring round offered between 8 and 39 weeks of pay to about 8,750 eligible employees, and more than 30 percent accepted. The response in the room was quick: 8 weeks, no thanks. At 39 weeks, roughly nine months of pay, the decision gets harder, especially for anyone who suspects the next round may not be voluntary.

The buyout is a capital allocation decision dressed as a human resources program. Microsoft expects to spend about $190 billion on capital expenditures in 2026, most of it on AI infrastructure, and the depreciation from that spending will flow through its income statement for years. Payroll is its largest operating cost. Shrinking it voluntarily protects margins without the reputational cost of mass layoffs, and the stock rose with the market that day. Meta Platforms (META) cut about 10 percent of its staff, roughly 8,000 people, starting in May. On the same day as Microsoft's announcement, Skydance (SKYD), the renamed Paramount after its takeover of Warner Bros. Discovery, offered voluntary buyouts alongside a five-day office mandate. When one large company runs a play like this, others tend to follow. The cheapest way to cut payroll is to let employees volunteer for the exit, and the second wave is usually larger than the first.

A useful lens came from a talk shared in the TIG Discord. In June 2026, Anthropic researcher Jascha Sohl-Dickstein gave a presentation at Stanford titled "Advice for a Young Investigator in the First and Last Days of the Anthropocene." His audience was mostly science and engineering doctoral students, but the message applies to anyone with a white-collar career: adopt AI early, choose problems whose value grows as compute grows, stop assuming any career path is safe, and keep ownership of your own thinking, because writing is thinking. Some critics dismissed the talk because of who gave it. The substance deserves a hearing on its own terms. It reasons from compute scaling and first principles, and the conclusions follow from the math.

Anthropic's own research hints at how unevenly that message has landed. A survey published on October 16 compared 10,980 American adults with 1,334 Anthropic employees. Among the employees, 91 percent expect an AI system to make a Nobel-level discovery by 2030, against 39 percent of the public. Anthropic staff expect AI to handle about 75 percent of their work hours by 2030, while American workers expect about 28 percent. More than half of the staff expect AI to do at least 80 percent of their work, a view held by just 5 percent of American workers. One side of that gap is going to be badly surprised. The people building the systems are betting it will be the public.

The discussion stayed calm and practical. The newest frontier models already reason, code, and make judgment calls at a level that matches or exceeds strong human professionals in many tasks, and several generations of more powerful chips are already in the pipeline. That combination points to a large displacement of white-collar work over the next few years, beginning with exactly the kinds of roles Microsoft just invited to leave. The appropriate response is preparation. Panic helps no one.

6. The Agent Era: Building With AI, Paying for It, and Arguing Over the Data

AI agents have moved well past chatbots. People with no coding background are now building systems that run on their own, turning routine work tasks into self-running workflows in a matter of weeks. With several agents running in parallel on the top-tier models, such as Claude Opus 5.5, Astra, and Grok Bot, a small team can pull an entire exchange's listings and build a custom analytics program in an afternoon. Automation has already arrived, and people without technical training are using it to do work that once required a team.

A useful mental model is to think of oneself as a manager and the agents as employees. A single person with the right subscription now directs the equivalent of a large engineering department. The best practice is to ask the AI to teach its own workflow step by step, to keep templates, to run several agents in parallel on narrowly defined tasks, and to stay on the frontier as each new model arrives. The relationship resembles a jockey and a racehorse. The horse supplies the speed and power. The jockey's skill lies in pacing, positioning, steering through traffic, and knowing when to ask for more. The models now supply the horsepower. The person's job is judgment: choosing the race, setting the pace, and deciding when to push. Anthropic's Claude models remain a common default for agent work, OpenAI is never far behind, and the leaderboard changes almost weekly.

Frontier capability costs real money. The top subscription tiers run about $200 a month, and serious agent work can

burn through usage limits quickly. Cheaper paths exist. Meta's new Muse Wonder model, released October 12 with consumer plans at $20 and $100 a month, handles most everyday tasks, and open-weight models from DeepSeek and Alibaba (BABA) cost next to nothing and are being used aggressively in China and elsewhere. The economics behind those prices drew skepticism. Every query consumes electricity, chips, cooling, and data center capacity, and all of those are getting scarcer and more expensive as demand surges. The open question is whether the AI labs truly understand their unit costs, and whether today's subscription prices can hold once energy and hardware bills catch up with usage. Every reasoning token is, in effect, a lease payment on someone's power plant.

Data rights are the other open question. If voters who lose jobs to AI come to see the labs as having built their products on other people's work, a future Congress could demand licensing fees, and policy can shift faster than litigation. Lawsuits move slowly, but a new administration can redirect the agencies that enforce copyright and data rules almost overnight, so who holds power in Washington may matter as much as what the courts decide.

The courts have so far split AI copyright cases into separate questions: how the data was acquired, whether training on it is permitted, and what the model produces. Training on lawfully acquired material is looking more defensible, while acquisition and outputs are where liability is landing. The clearest example is Bartz v. Anthropic, a class action filed in 2024 by authors Andrea Bartz, Charles Graeber, and Kirk Wallace Johnson. They alleged that Anthropic trained Claude on millions of books, including pirated copies downloaded from online shadow libraries. In June 2025, Judge William Alsup split the question in two. Training on books

Anthropic had bought and scanned was fair use, he ruled, but building a library of pirated copies was not. Facing potential damages in the billions, Anthropic settled for $1.5 billion, roughly $3,000 per book for more than 400,000 books, the largest copyright settlement in U.S. history, and the court gave final approval in July 2026. In Thomson Reuters (TRI) v. Ross Intelligence, the Third Circuit ruled on September 29 that copying Westlaw headnotes to train a competing legal research tool was not fair use, the first appellate decision on AI training.

Reddit (RDDT) has taken a different route that sidesteps fair use entirely. It sued Anthropic under contract and unfair competition law, alleging the company's crawlers hit the site more than 100,000 times after Anthropic said in July 2024 that it had stopped. In March 2026, a federal judge sent the case back to San Francisco Superior Court, holding that Reddit's state claims, including breach of contract and unfair competition, are not preempted by federal copyright law because they cover conduct copyright does not, such as ignoring users' deletion requests. At an August hearing, the state judge signaled doubts about Anthropic's motion to dismiss. Reddit's separate suit against Perplexity largely survived a motion to dismiss in July. Meanwhile, Reddit licenses its data to Google, owned by Alphabet (GOOGL), in a deal worth about $60 million a year that expires in the first half of 2027, and to OpenAI. Data licensing and other revenue came to about $43 million in the second quarter, roughly 5 percent of Reddit's $805 million in total revenue.

Reddit itself drew interest as a business. It went public in March 2024, carries no debt, and reported about 130 million daily active users in the second quarter, and it earns most of its money from advertising. For a large share of internet users, adding "Reddit" to a search query has become the default way to find an honest answer to almost anything, which makes the site a stronghold of human conversation on an internet filling up with machine-generated text. That human text is exactly what the labs want, and the scarcer it becomes, the more it is worth.

The bear case for the labs involves more than fines. Large companies pay legal settlements constantly, and the amounts rarely dent a company of this size. The bigger risk would be losing permission to do something central to the business, the way oil and mining companies, once as dominant as technology is today, found entire practices regulated out of existence. Users who overwrite or delete their old posts may also find that the crawlers simply collect whatever replaces them, since the labs scrape live pages and not internal backups. Regulation is likely to grow under either party, and faster under a Democratic Congress. Every industrial boom has had its rules written after the accidents, and a technology that may eventually exceed human intelligence will not be the exception. Containment, safety, and security are now part of the business model.

7. Anthropic's S-1: The Numbers Behind the Most Anticipated IPO in Years

On the morning of our meeting, Anthropic filed its registration statement to list its Class A shares on the Nasdaq Global Select Market under the ticker ANT. The filing leaves the share count and price range blank, and press reports point to a debut the week of November 16, before Thanksgiving. Goldman Sachs (GS) and Morgan Stanley (MS) lead a syndicate of about 22

banks. Anthropic's last private round in May valued it at $965 billion, and investors are discussing an IPO valuation between $1.5 trillion and $2 trillion.

The growth is extraordinary by any standard. Revenue reached $16.3 billion in the first half of 2026, up roughly thirteenfold from $1.16 billion a year earlier, and well beyond the $4.6 billion the company generated in all of 2025. Second-quarter revenue alone was $11.6 billion. Anthropic told prospective investors in mid-October that third-quarter revenue reached $16.8 billion, up 45 percent from the second quarter, a pace that still fell short of some investors' hopes. More than 11,900 business customers, companies paying for Claude through enterprise plans and Anthropic's developer platform, now spend at least $100,000 a year, up from about 950 a year earlier. More than 1,900 spend at least $1 million, and about 250 spend at least $10 million. Net revenue retention is about 900 percent, a figure that comes with a footnote, since a customer qualifies with as little as a dollar of spending in the base period and individual subscribers are excluded.

The headline loss requires translation. Anthropic reported a first-half net loss of $80.7 billion, of which $72.4 billion came from non-cash changes in the fair value of convertible notes, derivatives, and similar instruments, most of them held by strategic investors. As Anthropic's valuation rises, the accounting value of those instruments rises with it, and the increase runs through the income statement as a loss. Its operating loss for the half was about $693 million. A company losing almost $81 billion because its own stock is worth more is a uniquely modern accounting problem.

The IPO conversation centered on timing. Many famous IPOs pop on the first day and then fade, sometimes for a long time, as lockups expire and insiders sell into the excitement. SpaceX (SPCX), which priced its June IPO at $135 and opened at $150, fell toward $100 before recovering to about $147 by the day of our meeting. Anthropic will likely trade wildly at first. Its long-term value will depend on whether it can grow into a valuation that already assumes years of dominance.

Enterprise adoption turned out to be the most revealing part of the discussion, because it showed how differently AI is spreading inside companies. Some members can use Claude freely at work. Others are waiting on business approval, or are limited to Microsoft's Copilot because their employer already pays for it inside an existing Microsoft agreement and can audit its use without extra process. Government agencies face an even higher bar. They must use tools certified for federal security standards, and Microsoft runs a dedicated government cloud built for exactly that purpose. Copilot also plugs directly into years of email, Teams messages, and files saved on forgotten shared drives, an integration any competitor would need a dedicated team to replicate. Most agencies must run a competitive bid when they switch vendors. At the enterprise level, inertia is its own moat, and every enterprise contract an AI lab signs is a seat a rival cannot fill for years.

Restrictions came up too. Claude is noticeably more conservative than some competitors, declining certain requests that others will attempt, such as compiling contact details for sales leads, or answering some questions about biotech and drugs. For users who need those answers, xAI's Grok is often the workaround. Anthropic's caution reflects both liability and its

chief executive's long-standing focus on AI safety. Whether that caution becomes a selling point or a handicap depends on the customer.

Anthropic's ownership ties it to the companies around it. The filing states only that Amazon (AMZN) and Alphabet will each own more than 5 percent, and analysts estimate Amazon's stake at 15 to 21 percent and Alphabet's at 10 to

15 percent. Both are investors, suppliers, and customers at once. For investors who want exposure to Anthropic without paying an IPO premium, Alphabet and Amazon are the most direct public routes, and they are also among the companies best positioned to benefit from rising capital spending.

The circle extends to SpaceX. In May, Anthropic agreed to lease the entire Colossus 1 data center in Memphis, more than 300 megawatts of power and more than 220,000 Nvidia (NVDA) GPUs. SpaceX's own filing puts the payments at $1.25 billion a month through May 2029, about $45 billion in total, with cancellation possible on 90 days' notice. Two of the most valuable companies in the world are now each other's landlord and tenant. Revenue of that size will show up in SpaceX's results long before it shows up in most valuation models.

The bigger contest is between Anthropic and OpenAI, which trade leadership month by month, one solving frontier math problems, the other frontier science. Their contract cycles with compute providers and enterprise customers may end up determining who builds a durable moat, and both are worth watching as closely as their model releases.

8. The Public Benefit Fund and the Road to a Shareholder Society

The most consequential page of Anthropic's IPO story may not be in the financial statements. On Sunday, October 18, the company announced a public benefit fund, pending stockholder approval. The fund is a wholly owned limited liability company, deliberately structured outside the charity rules so it can switch between different forms of giving. It will hold 5 percent of Anthropic's fully diluted shares as of June 30, about 847 million Class N shares, and the board may add up to another 2 percent of outstanding shares each time the stock rises 50 percent above the previous milestone, starting from the IPO price. Its permitted uses include gifts to established nonprofits and direct payments to specific groups of people, with the effects of AI on jobs named as a possible focus. It may not fund lobbying or political donations, in the United States or anywhere else. Together with the cofounders' pledge to give away 80 percent of their equity and a company-matched employee donation program, Anthropic says roughly 20 percent of its shares are now committed to the public good. The company framed the fund as an alternative to the escalating stock grants technology companies typically hand executives as their shares rise: equity directed to the public instead.

Social media quickly labeled it a universal basic income (UBI) fund. Anthropic never used the term. Still, chief executive Dario Amodei wrote in June that if AI displaces work on a large scale, policy responses might eventually include a UBI funded by taxes on AI companies or on capital gains, alongside wage insurance and retention incentives. Some commentators described the fund as a building block of that idea, funded privately before any government acts. TIG discussed the case for some form of basic income months ago, along with the question of whether anyone would trust a single AI lab to provide it. Anthropic appears to be testing the idea anyway.

The discussion turned to what a UBI would actually look like. Its defining feature is universality: everyone receives the same check whether they work or not. That matters because most current aid is means-tested. Unemployment, disability, food, and housing assistance, along with Medicaid, shrink or disappear as a person earns more. Stacked together, those losses can mean a new job or a raise leaves a family barely better off, and in some cases worse off, a pattern economists call the benefits cliff. A universal payment avoids that trap because it never phases out, so every dollar earned adds to income. The tradeoff is cost: paying everyone requires much higher taxes, and those taxes carry work disincentives of their own. The politics then come down to size: whether the check is large enough to cover rent and groceries on its own, or only enough to supplement a paycheck. Providing essentials in place of cash, such as free housing and weekly groceries, came up as an alternative and drew immediate skepticism, since people consistently prefer money to rations. History offered a warning. George Pullman built an entire company town on Chicago's South Side, owning the homes, stores, and parks and setting both wages and rents. When the Panic of 1893 hit, he cut wages by up to 25 percent without lowering rents, and the 1894 strike that followed spread to more than 250,000 railroad workers in 27 states, drew federal troops, and gave the country Labor Day. Appalachian coal towns followed the same arc, paying miners in company scrip, private tokens or paper money that could be spent only at the

company store, where prices were set by the same employer. Corporate benevolence has a long record of working well until the economy turns.

The counterargument was that AI is a genuinely new situation. If humanoid robots and AI systems can eventually perform most physical and knowledge work, the old assumption that people must work to earn a living starts to break down, and no historical precedent fully applies. Others pushed back on that framing as well. Washing machines, dishwashers, and electricity once freed whole households from full days of manual labor, a change that felt as world-altering to people at the time as AI feels today. Every generation tends to believe it lives at the hinge of history.

The labor market in between drew a more practical view. Several kinds of work look durable for years. The first is skilled physical work in messy, unpredictable settings, the kind electricians, plumbers, nurses, and construction crews do every day. Robots excel at repetitive tasks in controlled factories but still struggle with the variety of a job site or a home, a gap researchers call Moravec's paradox: what comes easily to people is often hardest for machines. The second is accountability. Licensed professionals who sign off on a bridge, a surgery, or an audit carry legal responsibility, and regulators are unlikely to hand that to software soon. The third is work where the human relationship is the product, such as caregiving, teaching, and sales built on trust. Founders who direct teams of AI agents round out the list. History supports the hopeful case. Economist David Autor and his coauthors found that about 60 percent of American workers in 2018 held job titles that did not exist in 1940, as new technology created new kinds of work faster than anyone predicted.

The durability is uneven. Routine physical jobs are more exposed than they look, with driverless taxis, delivery robots, and robotic mowers already at work today. Electricians and tradespeople

building data centers are in high demand now, and the open question is whether workers trained for white-collar careers will accept physical ones. Humanoid robots may eventually encroach on even the skilled trades, which raises the deepest question of the evening. If machines do most of the work, who buys what they produce? A consumer economy needs consumers with money. Henry Ford's $5 day in 1914 is a useful reference point. Ford roughly doubled pay mainly to stem high turnover on the assembly line, and the money came with strings: investigators from his Sociological Department visited workers' homes to judge whether their habits qualified them for the full wage. Still, the higher pay helped create workers who could afford the cars they built. An economy run by machines will face the same question in a new form, and any answer that comes from companies will likely come with conditions of its own.

Scale was the other sticking point. The three rounds of pandemic stimulus checks in 2020 and 2021 sent about $814 billion directly to households, a fraction of the more than $5 trillion in total federal pandemic relief, and those were one-time payments. A permanent program would be far larger. Paying every American adult $1,000 a month would cost roughly $3 trillion a year, roughly 40 percent of all federal spending. For an AI lab to fund anything comparable from a few percent of its equity, it would need to grow far larger than any company in history. One view held that the frontier labs will effectively become the economy, owning stakes in every company that depends on their models, much as Google and Amazon already own pieces of Anthropic. Another observed that the end state would look uncomfortably like a state-run economy with a corporate logo. A third imagined that payments might eventually arrive as company stablecoins redeemable only for that company's products, which would make the company town digital. Competition offers another possible model: several private basic income programs competing on funding, administration, and results, with transparency letting people choose among them. The case for it rests on track record, since large monolithic programs run under a single set of incentives have rarely worked well. Whatever the form, the first question is the terms. If one lab pays a dividend to the public, can a person collect from another lab too? Choose your benefactor carefully.

Elon Musk added his own version a day after Anthropic's announcement. On October 19 he posted that next year he will give one SpaceX share to every child in America, adding, "This will be the first of many." With just over 72 million Americans under 18 and SpaceX trading near $147, the gesture would cost roughly $10.6 billion. It echoes

the Trump Accounts created last year, which seed investment accounts for newborns, and Musk's own talk of a "universal high income" in which machines do the work and everyone owns shares. That vision of a shareholder society, sometimes described as a shift from a labor-based economy to post-labor capital allocation, has a large gap at its center. Tens of millions of Americans own no stock at all, and a society where ownership is the only source of wealth leaves them behind.

Historical comparisons put Anthropic's commitment in context. Mark Zuckerberg and Priscilla Chan pledged 99 percent of their Facebook shares in 2015 through the Chan Zuckerberg Initiative, also structured as an LLC for flexibility. Google committed 1 percent of its equity to philanthropy before its 2004 IPO. Anthropic is committing roughly 20 percent across the company and its founders, an order of magnitude larger. Its own economic research last year

offered a range of possible GDP growth paths by 2030 so wide, from about 1 percent to more than 10 percent annually, that it amounted to an admission that nobody knows. A company does not write a safety net into its prospectus unless it expects people to fall.

9. Warhound and the Business of Building a Better Dog

On October 22, a startup called Warhound emerged from stealth with a $200 million seed round, valued at about $1.2 billion, to genetically engineer dogs for the military and outfit them with Anduril gear. Sequoia Capital led the round, joined by In-Q-Tel, 8VC, Lux Capital, and Franklin Templeton (BEN). Its chief executive is David Spirk, a former Marine and former chief data officer of the Defense Department, and Colossal Biosciences founder Ben Lamm sits on its board. Palmer Luckey, the founder of Oculus and cofounder of Anduril, is a partner with no equity and no day-to-day role, and Anduril will supply vests, goggles, ear protection, and its Eagle Eye augmented reality headgear. Colossal, the de-extinction company valued at $10.2 billion in its January 2025 funding round, holds a stake and licenses its gene editing technology, and its ViaGen unit will produce the clones.

Warhound has collected cell samples from top-performing military and police dogs, mostly Belgian Malinois and German Shepherds, and has begun editing their genes. Its first targets are health conditions: cancer predisposition, hip dysplasia, muscle atrophy, and poor eyesight, along with the inherited traits that cause many dogs to wash out of training. The first cloned dogs are expected in early 2027, with service roles within about two years. The underlying problem is supply. Most American military dogs come from European breeders, top-quality animals are scarce and expensive, and many fail before their careers begin.

Reactions in the room spanned the range the public will likely show. Some called it animal abuse. Others found it fascinating. Many felt both. PETA has already condemned the project, and the American Humane Society has agreed to certify Warhound's training practices, an early sign of how the public relations fight will be waged.

The obvious question was why the military needs dogs at all when drones can scout and strike with precision. The answer is that dogs still do several things machines cannot. A trained dog detects explosives, drugs, and specific people at concentrations electronic sensors still struggle to match in real-world conditions, which is why bomb detection along routes, at checkpoints, and inside buildings is still largely a dog's job. Dogs also work without signals. Drones depend on radio links and GPS, and jamming has become one of the main countermeasures in modern warfare. A dog cannot be jammed, hacked, or spoofed, needs no battery or network, and moves easily through stairs, rubble, tunnels, dense brush, and water. Human senses are underwhelming compared with most animals, and our real advantage is the brain. Dogs bring the senses. Robot dogs from Boston Dynamics, now owned by Hyundai (KRX: 005380), and from China's Unitree are improving quickly, though matching a dog's nose remains a distant goal. Warhound is betting that dogs stay superior for detection and close-quarters work for at least 10 to 15 years, long enough to build a business, and the realistic future is likely a mix, with drones scouting at range and dogs working up close. Nose beats network, for now.

The law is unsettled. No statute bans what Warhound is doing, and no documented regulatory path exists for deploying gene-edited animals in the military either. The Food and Drug Administration regulates intentional genetic alterations in animals, governing the edit and not the animal. The Animal Welfare Act, enforced by the Department of Agriculture, covers dogs used in research and commercial breeding, which applies to Warhound's development work. Once sold, dogs fall under the buyer's rules, meaning Defense Department policy for military dogs and state and local law, including bite liability, for police dogs. Public pressure could push lawmakers to limit how such dogs are used. At the same time, dogs already serve on front lines, the military has deep institutional reasons to keep using them, and Anduril has significant lobbying power in Washington. The outcome will depend on whether public opposition can organize faster than Anduril's influence grows, and on whether lawmakers see dogs as soldiers or as pets.

Retirement raised a subtler problem. Federal law has allowed retired military dogs to be adopted since 2000, with former handlers getting first priority, then law enforcement agencies, then qualified members of the public, and most retired dogs do find homes, many with their handlers. Some are judged unadoptable because of aggression or serious medical problems, and deployed dogs can develop lasting behavioral issues resembling post-traumatic stress, including hypervigilance and noise sensitivity. A dog bred for greater intensity could be harder to place. On the other hand, the traits Warhound is emphasizing, such as stress tolerance, focus, and trainability, could make its dogs easier to retire than today's. Taken as a whole, much of the plan has more in common with veterinary medicine than with science fiction.

The economics have precedent. Elite working dogs already command high prices, with top-tier personal protection dogs selling for six figures. Military and police dogs are valuable assets as well: a fully trained military working dog represents tens of thousands of dollars in purchase and training costs, and multipurpose dogs trained for special operations cost considerably more. Scarce supply and high prices invite newcomers, and if gene editing lowers costs or raises the share of dogs that complete training, traditional breeders may well adapt.

The larger opportunity may be civilian. If Warhound can reduce hip dysplasia and inherited cancer risk in working breeds, the same techniques could transfer to pets, offering owners a dog of their favorite breed without the breed's health problems and with a longer life. Americans already treat their dogs like family, and nearly everyone in the room said they would choose better health for their dog if it were affordable. Colossal already earns revenue cloning pets and horses through ViaGen. The frontier AI labs are moving into biology too, with OpenAI acquiring Orchestra Bio on October 20 to add AI agents that coordinate drug development to its life sciences suite. Gene editing is looking less speculative every month.

As an investment, the dog business itself sits behind private valuations and regulatory risk. Anduril, which supplies the dogs' gear alongside its drones and other defense systems, remains the cleaner way to own the theme for those who can access it. Few ideas discussed this year will divide public opinion as sharply, and few will attract capital as easily.

10. Lightning Round

Opendoor (OPEN): TIG recently sold Opendoor from its model portfolio and replaced it with Sterling Infrastructure. The position was small and speculative from the start. Opendoor is still working through the aftermath of the 2022 housing slowdown, and with mortgage rates elevated, home turnover remains depressed. It lost about $1.3 billion in 2025 on revenue of $4.37 billion, down 18 percent, and a new technology-focused chief executive, former Shopify executive Kaz Nejatian, is targeting breakeven adjusted net income by the end of 2026. Turnarounds take time, and this one likely requires more capital along the way. There is an irony here worth noting: Opendoor reached the public market through one of Chamath Palihapitiya's SPACs in 2020, which brings the evening full circle.

Sterling Infrastructure (STRL): Sterling began as a road and bridge contractor and has turned itself into a builder for

AI data centers. Its E-Infrastructure segment handles site preparation for large projects, including grading, excavation, and foundations, and since acquiring CEC Facilities Group in 2025, the electrical and mechanical work as well. Electrical capacity is one of the binding constraints in the data center buildout. Developers often wait months for contractors who are themselves waiting on permits or on copper and equipment shipped from overseas, and a contractor who can deliver both the site and the power wins the contract. Signed backlog reached $4.3 billion, up 116 percent, and more than 92 percent of E-Infrastructure backlog comes from data centers, advanced manufacturing, and semiconductor plants. E-Infrastructure revenue grew 192 percent in the second quarter. In June, Sterling added Stone Ridge Contracting of Pocatello, Idaho, expected to contribute $180 million to $200 million of revenue this year. The transportation segment's revenue is shrinking while its profits grow, because crews and equipment are being redeployed to higher-margin data center work, and residential foundation work faces housing headwinds.

The stock fell 37 percent between October 6 and October 23, part of a broad selloff in AI infrastructure driven by worries over how data center builders will finance their growth. Sterling's moat is know-how: soil conditions, permits, customer relationships, and crews that can deliver quickly, and customers pay for speed. Local opposition to data centers is a real risk, and surveys consistently show many people do not want one nearby. TIG bought within the past few weeks and is already down 15 to 20 percent. No one can time these perfectly. In a technology boom, the shovel sellers get paid first and get punished first.

Netlist (NLST): Netlist has run from $0.99 at the start of 2026 to about $6, reaching a market value of roughly $2.2 billion. On October 6, it settled all litigation with Micron Technology (MU) in exchange for a five-year license worth $600 million, paid at $30 million a quarter, plus a Micron purchase of 10 million Netlist shares. An earlier license with Samsung Electronics (KRX: 005930) was worth $897 million over five years, also with a 10 million share purchase, alongside Netlist's commitment to buy $1.5 billion of Samsung products. Netlist designs and assembles memory modules from Samsung and Micron chips and has a new product reportedly in testing at Dell Technologies (DELL), though critics and some tech outlets have called it a patent troll after years of litigation, much of it stalled at the Patent Trial and Appeal Board. The label is debated. Netlist does sell products, which most patent trolls do not, but licensing and settlement payments have become one of its largest sources of income. Rambus (RMBS) built a durable business on a similar playbook. A settlement is the clearest proof a patent was worth something.

Netlist trades over the counter on the OTCQB, with relatively light volume, and 10 percent daily moves are routine. A return to a major exchange would broaden its investor base. The bull case rests on memory demand, which will extend beyond data centers to cars and robots, and on momentum itself, since a rising price in a small or mid-cap company often signals information the market has only partly absorbed. Some research suggests that stocks capable of large future gains are disproportionately found among those already rising, which challenges the instinct to avoid anything that has run. The risk is that any slowdown in memory could send it down 80 percent just as quickly. Sized sensibly and held over a two to three year window, it is a reasonable risk and reward for those who can stomach the swings.

Union Pacific (UNP) and Norfolk Southern (NSC): The roughly $85 billion merger would create the first coast-to-coast railroad in the United States. The Surface Transportation Board unanimously rejected the first application as incomplete on January 16, 2026. The companies refiled on April 30, the board accepted the revised application in late May, and in August it adopted a review schedule that runs well into 2027. The companies expect to close sometime in 2027. Union Pacific has signed job protection agreements with several unions, and chief executive Jim Vena has said every union employee with a job at closing will have one for life. Competitors are urging the public to oppose the deal while others in the industry prepare as if it will happen. Parts of the combined network run through both Chicago and St. Louis, and some in the industry expect St. Louis to gain investment. A completed deal could also push BNSF, owned by Berkshire Hathaway (BRK.B), toward a combination with CSX (CSX). The table put the odds of approval at roughly 60 percent, likely with conditions. Vena has said repeatedly that he expects approval, which is precisely what a CEO would say.

Closing Thoughts

The October 26 meeting kept circling back to a single question: who gets to change the rules, and what happens to the people who priced the old ones? An exchange announced that UCFI would trade and then simply did not let it, leaving shorts paying borrow fees and longs holding a stock with no price. A president promised no strikes before an election, and the market learned to price war by the calendar. Brazilian voters overruled a consensus priced at 80 percent, and a fifth of a country's market disappeared before lunch. Microsoft redrew its employment contract for a quarter of its workforce on the same day Anthropic filed to become a public company. Courts are still deciding what an AI system may read, and Warhound is breeding a dog for which no agency has written a rulebook.

Anthropic's public benefit fund may be the most important rule change of all, because it is a company writing a social contract for a world its own products are helping create. Whether that fund becomes a meaningful safety net or a footnote, its existence signals how seriously the builders take the disruption ahead. The survey numbers say the same thing in a different language: the people closest to the technology expect it to do most of their work within five

years, and most of the public does not. When the experts and the public disagree that sharply, markets eventually force a reconciliation, and it rarely arrives gently.

The practical lessons were consistent. In small caps, respect the market's rules as much as the price, and size every short for a halt that never ends. Around geopolitics and elections, separate the consensus from the probability, and remember that markets pay the most when the consensus is wrong. In AI, use the tools aggressively, because the cost of falling behind now exceeds the cost of the subscription. In AI infrastructure and memory, own the theme in a size that survives an 80 percent drawdown. And in every case, watch who writes the rules, because the referee can change the score without ever touching the ball.

Behind every one of these stories are people: employees weighing a buyout, students wondering which careers will survive, investors trapped in a halted stock, and even the dogs at the center of a debate they will never understand. That human dimension is what makes these conversations worth having in person. The range of perspectives in the room turned hard questions into better ones. The recording of our October 26 meeting is available on YouTube for anyone who could not attend or would like to revisit the discussion (https://www.youtube.com/watch?v=M05tNhRUvlA). We look forward to reconvening on Monday, November 9, 2026, at the Union League Club of Chicago.

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