NewGen Primary Commodity Fund LP
October 2026 Newsletter

PRIMARY COMMODITY FUND

NEWGEN ASSET MANAGEMENT

Fund Overview

The NewGen Primary Commodity Fund LP is a Canadian feeder fund that invests directly into Primary Commodity Fund Ltd. (PCF), an externally managed, Bermuda-based hedge fund. The Fund is designed to generate attractive risk-adjusted returns with low correlation to traditional asset classes by actively trading physical and financial commodity markets, with a particular focus on strategic and critical metals.

PCF Overview

The PCF master fund employs a supply-chain-driven commodity trading strategy that is fundamentally distinct from directional macro or long-only commodity approaches. Through a strategic partnership with the Traxys Group, a leading global metals merchant and physical commodities trader with over 100 years of operating history, the Fund benefits from privileged access to real-time market intelligence across storage, logistics, trade flows, and global customer-supplier networks. This relationship provides a durable informational and execution advantage that is rarely available outside major proprietary trading desks and enables the Fund to identify pricing dislocations, arbitrage opportunities, and emerging supply-demand imbalances in markets that are largely opaque and off-exchange. PCF also utilizes an internally developed LLM that integrates proprietary data with global regulatory developments, macroeconomic signals, and end-to-end supply-chain intelligence to accelerate market timing and support disciplined data-driven decision-making.

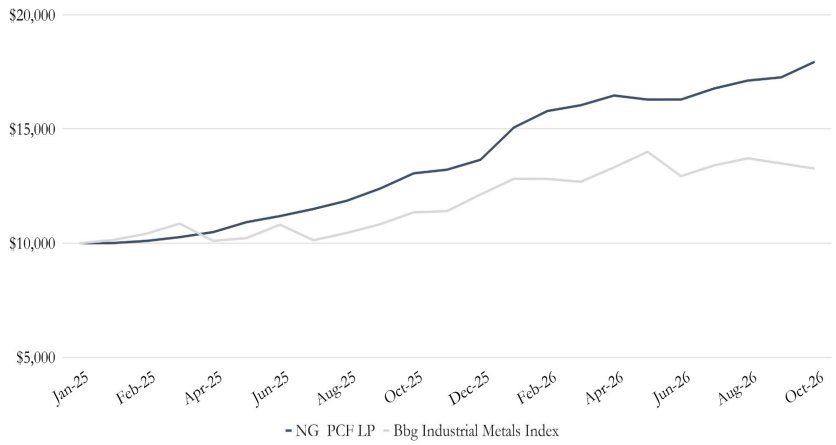
Strategy

- **Physical & Futures Trading**: Positions in both physical markets (through Traxys' logistics and customer network of 2,000 suppliers / 1,900 buyers) and listed futures, enabling liquidity + direct market access.
- **Proprietary AI (SD-92)**: System processes 38M words in 6 hours, analyzing geopolitical shifts, supply chains, and market sentiment at superhuman scale to anticipate inflection points.
- **Focus Areas**: Strategic metals (tungsten, gallium, germanium, NdPr, rhodium, palladium, etc.) with strong price inelasticity and rising geopolitical importance.
- **Macro Tailwinds**: Decarbonization, AI's energy intensity, defense build-up, supply chain fragmentation, and underinvestment in mining all support long-term upside.

Monthly Portfolio Returns

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2025	**NG PCF LP**	**0.07%**	**0.93%**	**1.65%**	**2.15%**	**4.16%**	**2.44%**	**2.78%**	**3.13%**	**4.53%**	**5.36%**	**1.23%**	**3.29%**	**36.57%**
	Benchmark*	1.38%	2.75%	4.23%	-6.94%	1.21%	5.74%	-6.30%	3.16%	3.66%	4.78%	0.47%	6.42%	21.37%
2026	**NG PCF LP**	**10.34%**	**4.80%**	**1.60%**	**2.66%**	**-1.09%**	**0.01%**	**2.99%**	**2.05%**	**0.83%**	**3.94%**			**31.42%**
	Benchmark*	5.63%	-0.02%	-0.98%	4.99%	5.11%	-7.63%	3.66%	2.29%	-1.61%	-1.69%			9.32%

Growth of $10,000 Invested Since Inception



Data Since Inception

	Fund	Benchmark*
Annualized Performance	37.6%	16.7%
Year-To-Date	31.4%	9.3%
One-Year	37.4%	16.9%
Standard Deviation	8.0%	14.0%
Downside Standard Deviation	0.8%	8.2%
Sharpe Ratio (RFR=2.5%)	4.4	1.0
Sortino Ratio (RFR=2.5%)	44.7	1.7
Correlation vs Benchmark	28.8%	100.0%
Beta Coefficient to Benchmark	0.2	1.0
Jensen's Alpha (RFR=2.5%)	32.8%	-
Positive Months	95.5%	68.2%
Avg. Monthly Gain	2.9%	3.7%
Avg. Monthly Loss	-1.1%	-3.6%
Avg. Upside Capture vs Bench	78.9%	100.0%
Avg. Downside Capture vs Bench	-63.9%	100.0%

*Benchmark is the Bbg Industrial Metals Index.

Key Information

LP Feeder

Fund Inception	December 2025
Minimum Investment	USD$1,000,000
Management Fee	0.25% per year
Legal Advisor	Fasken Martineau DuMoulin LLP
Administrator	SGGG Fund Services Inc.
Auditor	Deloitte LLP
Fiscal Year End	December 31st in each year.

PCF Master

Fund AUM	USD$1.17 billion
Fund Inception	January 2025
Management Fee	1.75% per year
Performance Fee	20% per year
Legal Advisor	Conyers, McCarter & English, Ruddy Gregory
Prime Brokers	Goldman Sachs, Clear Street
Custodian	Northern Trust
Administrator	Apex Fund Services
Auditor	Deloitte LLP
Fiscal Year End	December 31st in each year.

Investment Highlights

- **Distinct Strategy**: The Fund employs a supply-chain-driven commodity trading strategy that is fundamentally distinct from directional macro or long-only commodity funds.
- **Traxys Partnership**: Through a partnership with the Traxys Group (a leading global metals merchant and physical commodities trader), the Fund benefits from privileged access to real-time market intelligence across storage, logistics, trade flows, and customer-supplier networks worldwide. This relationship provides a unique informational advantage rarely available outside major proprietary trading desks.
- **Proprietary LLM Platform**: In addition, the Fund is utilizing a proprietary LLM-powered trading platform in partnership with Arbor Ventures, a global venture capital firm with a depth of expertise in fintech. This system integrates Traxys' proprietary data with global regulatory, macro, and supply-chain inputs to identify price anomalies, dislocations, and geopolitical catalysts with speed and precision, thereby enhancing the team's data-driven decision-making process and trading edge.
- **Focus on Strategic Minerals**: The Fund is especially well positioned to capitalize on structural trends in strategic and critical minerals, which are central to energy transition, AI infrastructure, and defense supply chains. Around the world, governments are stockpiling, incentivizing domestic production, and imposing export controls on these commodities. With Traxys among the largest global traders of rare earths and strategic metals, the Fund can trade, store, and arbitrage these markets directly. This is an area of the market that is typically inaccessible to most institutional and retail investors.
- **Return Profile**: The result is a highly differentiated, non-correlated return stream that is structured to mitigate downside volatility, while offering direct exposure to one of the most compelling themes of this decade.

NEWGEN ASSET MANAGEMENT

(416) 941-9112
clientservice@newgenfunds.com
www.newgenfunds.com
Commerce Court North, Suite 2900
25 King Street West, P.O. Box 405
Toronto, Ontario, M5L 1G3

Footnotes & Disclaimers

NewGen launched the Feeder Fund on December 1st, 2025. The Master Fund has management fees of 1.75% and performance fees of 20%. Master and Feeder funds are both USD denominated. January to November 2025 returns are calculated as the Master Fund returns less an additional 0.25% per year (calculated as 0.25%/12 in each of the eleven theoretical months) to cover Feeder Fund fees. From the December 2025 onwards, they are the actual LP Feeder returns, with the most recent month being a best estimate which is updated to the actual value in subsequent months.. There is no guarantee or representation that an investment in the NG PC LP will achieve its investment objective and the value of its investments may go down as well as up. Any investments made in the NewGen Primary Commodity Fund LP is speculative and involves a high degree of risk, including the risk of loss of an investor's entire investment, and is not intended as a complete investment portfolio. The composition of the Funds' portfolio could differ significantly from these indices due to the investment strategy employed. Please see "Investment Strategies" in the Confidential Offering Memorandum for more details.

This newsletter is not an offer to sell nor a solicitation of an offer to purchase interests of the Funds. The Manager reserves the right to change any terms of the offering at any time. Offers and sales of interests in the Funds will be made only pursuant to an offering memorandum, complete documentation of the relevant Fund and in accordance with the applicable securities laws, and this presentation is qualified in its entirety by reference to such documentation, including the Risk Factors and Potential Conflicts of Interest disclosure set forth therein. Past performance does not guarantee future results. The securities of NG PC LP described herein are only available in Ontario, Alberta, British Columbia, Newfoundland, Quebec and Saskatchewan pursuant to a prospectus exemptions as set out in NG PC LP's offering memorandum.

Market Commentary

"The problem of the electric utility business is not a problem of selling our product. It is a problem of securing the necessary capital to build the infrastructure to meet the demands of the public."
- Samuel Insull (attributed), founder of Commonwealth Edison and Middle West Utilities

Key Takeaways: Why This Letter Matters for Investors in the Fund

• The largest privately financed buildout in US history, and increasingly debt-funded. Projected AI spending of about 3.6% of US GDP a year would exceed even the railroad era, and a growing share is financed with debt and private credit against chips that wear out within about five years.
• Past cycles ended badly for the dominant sector. After the railroad, utility and telecom spending peaks, investors in the leading sector lost between 35% and 91%. The damage to the wider economy was worst where the boom had been financed with leverage.
• Real assets survive; the financial layers above them may not. When Insull's holding companies collapsed in 1932, the power plants and grids beneath them survived. It was the leveraged structures stacked on top that were wiped out.
• Concentration risk already sits in most portfolios. The ten largest AI-linked companies make up about 40% of US market value, near the highest share any theme has reached outside the railroad era.
• October showed the strain beneath calm indexes. The S&P 500 fell just 0.9%, while semiconductors fell 14.2%, momentum stocks 10.5% and mining equities 13.2%. Volatility of this kind preceded the leadership changes of 1932, 2000, 2009 and 2020.
• Why it matters for the Fund. The Fund primarily owns physical metals rather than financial claims layered on top of them, across a universe of 65 metals driven by idiosyncratic factors. The AI buildout is ultimately a physical one that depends on metals such as copper, gallium, germanium, tungsten and rare earths, which supports demand for many of the metals we trade. The Fund returned an estimated 3.97% net in October and an estimated 31.96% year to date.

The Primary Commodity Fund (the "Fund") generated an estimated net positive return of 3.97% in October and an estimated year-to-date return of 31.96%. The Fund's AUM has grown to approximately $1.17 billion as of November 1, 2026. October figures are estimates and remain subject to the final net asset value struck by the fund administrator.

The AI Infrastructure Buildout in Historical Context

Spending, market concentration, what happened when past capital cycles peaked, and the volatility now building beneath the indexes

The quote above from Samuel Insull captures the critical debate within the historic AI buildout now under way. Few in American history have had the perspective to understand the economics of the AI buildout better, and Insull's insights from a century ago provide a framework for assessing how the AI ecosystem will develop in the months and years to come. Insull built Chicago's electric system and, through Middle West Utilities, a network that by 1924 reached roughly a third of the country[1]. As early as 1898, Insull told the industry that its central difficulty was the cost and availability of capital[2]. Three features of his era map almost exactly onto the situation in which we find ourselves today.

The demand illusion. The demand for electricity was real, but the financial structure built on top of it assumed that growth would compound without interruption; at the peak, Insull's holding companies paid "battle prices" of $384 a share for Commonwealth Edison to defend control[3]. Today, US utilities have received requests for 1,066 GW of data center power, of which Wood Mackenzie expects only about 28% to be committed, in part because developers file the same project with several utilities[4]. When Exelon began requiring binding security agreements, its high-probability pipeline fell from 18 GW to 11 GW, and PJM's market monitor counts 42% of the assumed load growth as canceled or delayed[5]. CenterPoint's requests went from 1 GW to 25 GW in twelve months, even as PJM's capacity auction costs rose from $2.2 billion to $16.4 billion[6]. Demand forecasts, then and now, are a poor guide to how much capital a business can safely raise against them.

Infinite capital needs. Insull's model of continuously building load meant continuously raising new capital[7]. The AI equivalent is larger: Goldman Sachs estimates $7.6 trillion of capital spending on compute, data centers and power from 2026 to 2031, and calls power "probably the forever bottleneck"[8]. Each generation of chips must be financed again within a few years, so the need for capital does not end when the buildings are finished.

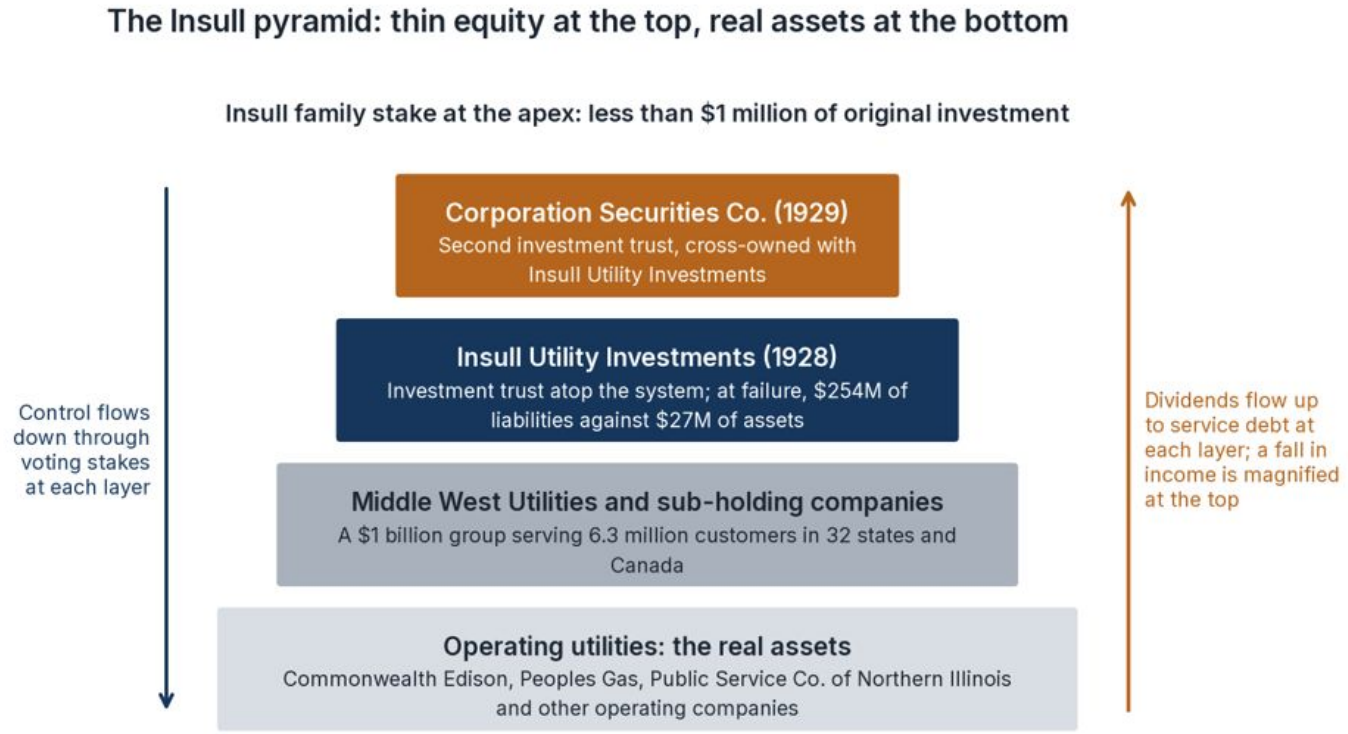
The irony of interconnection. Insull's great insight was interconnecting grids to raise load factors with less investment[1]. A century later, interconnection is the gate through which every AI ambition must pass. The US interconnection queue holds about 2,600 GW, more than double installed capacity, and the median project takes about five years to reach operation[9]. A data center can be built in under two years, but a grid connection in Northern Virginia can take up to seven, and about half of the 12 GW planned for 2026 is delayed or canceled[10]. Microsoft walked away from a 23,040-chip site in the UK because grid power would not arrive until the 2030s[11]. The physical supply of power, not the pace of software, has become the gatekeeper of AI progress.

Insull's story also ends with a warning about how the capital was raised, which we take up in the Prologue below. In the rest of the letter we place the AI buildout in historical context, examine what makes it different, trace how past capital cycles shaped market concentration, and review what happened to markets and the economy once those cycles peaked. We close with a development that deserves attention now: while the major indexes have been calm in October, the momentum and hedge fund crowding gauges underneath them have been moving with a violence not seen in years.

October beneath the surface. October's calm at the index level masked a violent rotation underneath, one that broke into the open on the final trading day of the month. For October as a whole, the S&P 500 ETF fell just 0.9% and the VIX never closed above 20, yet the US momentum ETF fell 10.5% (12.4% peak to trough) and the semiconductor ETF fell 14.2% (17.6% peak to trough), while the equal-weight S&P 500 ETF rose 4.9%[12]. On October 22, Goldman Sachs' Hedge Fund VIP index of the most popular hedge fund holdings fell 4.2%, its worst day since 2011[13]; the ETF that tracks it lost another 3.7% on October 30 and finished the month down 6.7%[12]. The Nasdaq closed October with its worst day since June 5 and its worst month since March 2025, down 5.3% for the month, as results from Amazon and Intel revived concerns about AI spending[14]. These swings follow a summer in which Goldman measured momentum volatility at the highest level in its 45-year history outside recessions[15]. Our own measure of momentum spread volatility peaked at 30.8% in August, against a prior high since 2017 of 18.9%, and still stood at 18.3% at the end of October[12]. Historically, volatility spikes of this kind have accompanied the major changes in market leadership of 1932, 2000, 2009 and 2020[16,17,18]. In our view, this volatility is the market's expression of the fundamental business debate over the AI buildout: whether trillions of dollars spent on assets that wear out in years rather than decades can earn an adequate long-term return, and whether that spending can continue to be financed as funding shifts from internal cash flow toward debt, private credit and off-balance-sheet structures[19]. Bloomberg described October's rout as driven by mounting anxiety about whether the technology will deliver profits big enough to justify the debt-fueled investment boom[20]. Until that debate is settled, we expect leadership beneath the indexes to remain unstable. Section VI examines these dynamics in detail. Metals equities were not spared: the S&P/TSX Global Mining Index fell 13.2% in October, and 14.7% from its October 9 high, a decline second only to semiconductors among the measures we track in Figure 5[12]. The Fund continues to invest across a wide spectrum of metals, driven by idiosyncratic factors, with the objective of generating strong, diversified, risk-adjusted returns.

Prologue: The Insull Pyramid and the Price of Leverage

Insull financed his expansion by stacking holding companies on top of his operating utilities. At the apex sat two investment trusts: Insull Utility Investments, formed in 1928, and Corporation Securities Co., formed in 1929[21]; the two trusts partly owned each other[22]. The family invested less than $1 million; by March 1930 its stake was worth more than $100 million and controlled a $2.5 billion system, so each dollar at the top controlled about $2,500 of assets below[23]. The holding companies produced no wealth of their own and were financed almost entirely with borrowed money[24]. Their income depended on dividends passed up from the operating companies, so a modest fall at the bottom became a wipeout at the top.



How the empire fell

When the Depression cut utility income and security prices, the debt at the top of the pyramid could not be serviced. On April 8, 1932, the banks, following J.P. Morgan's instruction, called a $10 million Middle West Utilities note[1]. Middle West went into receivership on April 16, and the two investment trusts followed the next day; both were declared bankrupt that September[27]. Collateral had been cross-loaned among the companies, so the failure of one pulled down the others[28]. Insull later explained: "I—my companies—spent money as though things were alright. We increased our floating debt and this eventually brought about our bankruptcy."[22] The press called it the biggest business failure in history[29].

Notably, the operating companies themselves, including Commonwealth Edison, survived; it was the financial layers above them that were destroyed[28].

Table P1. Capital destruction in the Insull collapse

Entity or measure	Before	After	Notes
Insull family securities	Cost $440M[30]	Under $110M[30]	The remaining value had been borrowed against
Insull Utility Investments	Securities cost $237.9M[21]	Worth $30.4M[21]	$254.0M of liabilities against $27.5M of assets[28]
Middle West Utilities common	$570 a share[31]	$1.25 a share[31]	About 600,000 shareholders who invested $220M received a 9.4% stake in the 1935 reorganization[32]
Corporation Securities Co.	$145M invested in Insull stocks[27]	Investor losses of $85M[28]	Bankrupt September 1932
Shareholders affected	77,000 wiped out completely; 98,000 more left with little hope of recovery[27]		Losses fell mostly on small investors
Total investor losses	About $700M[25] to $750M[33]; nearly $800M by another estimate[24]		Estimates differ by source and date

The legislative response: PUHCA 1935

Insull was acquitted of fraud, but the collapse gave President Roosevelt the case for his "death sentence" on utility holding companies[33]. Some utility pyramids sat as many as ten layers above their operating companies[34], and because Insull's chairmanships spanned 32 states, state regulators had been unable to police the system[35]. The Public Utility Holding Company Act of 1935 limited holding companies to two tiers above their operating subsidiaries and required anyone owning 10% or more of a utility to register with the new SEC[34]. It also confined each holding company to a single, geographically integrated system[29], building on the disclosure regime of the Securities Act of 1933[36].

Why it matters now. The lesson of Insull is not that electricity was a bad investment; demand for power grew for decades after 1932, and his operating companies endured. The lesson is that the layers of financing stacked above real assets can fail even when the assets succeed. As we discuss in Section II, AI spending is shifting from internal cash flow toward debt, private credit, GPU-collateralized loans and off-balance-sheet structures[19], and its key assets lose value in years rather than decades. Those are the conditions under which the structure of the capital, rather than the quality of the technology, determines who bears the losses.

Section I: The AI Buildout in Historical Context

Measured as average annual spending relative to the size of the economy, the AI buildout already rivals or exceeds most of the great American infrastructure projects. On current projections, it would surpass all of them.

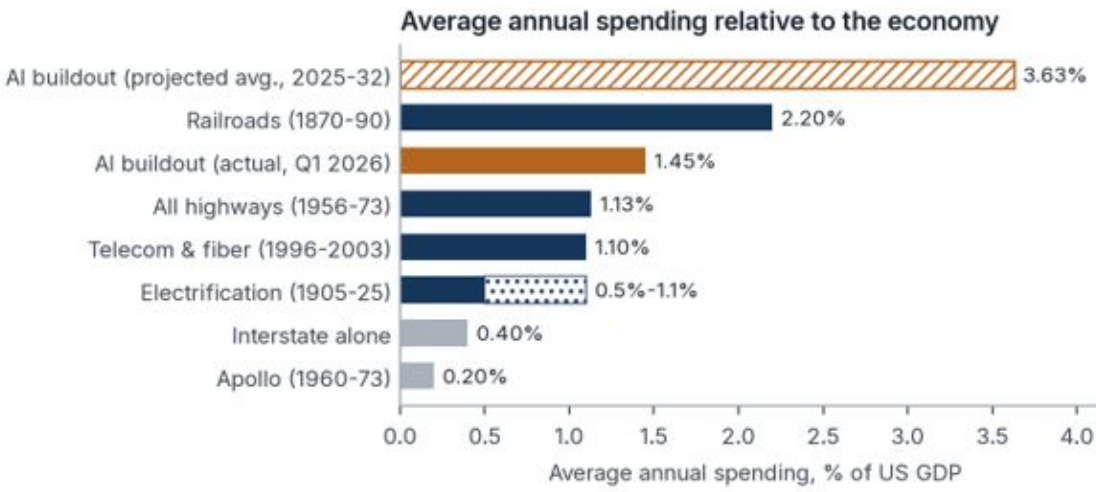


Figure 1. Average annual spending as a share of US GDP. The hatched AI bar is a projection (Van Nieuwerburgh/Brookings); the solid AI bar is the Q1 2026 actual (Epoch AI). The dotted electrification segment shows the range between the 0.5% and 1.1% estimates. Sources: [37,38,39,40,41,42]

Table 1. Average annual spending as a share of US GDP

Project	When	Average annual spending (% of GDP)	Who paid
AI buildout (data centers, chips, power)	2023-present, projected through 2032	3.6% per year projected for 2025-2032[37]; about 1.4-1.5% actual in Q1 2026[38]	Mostly private
Railroad buildout	1870-1890 at its height (wider cycle 1860s-1900s)	2.2%[37]	Private, plus federal land grants
Highways / Interstate system	1956-1973	1.13% for all highway building[39]; about 0.4% for the Interstate alone[40]	Mostly public (federal and state)
Telecom and fiber	1996-2003	1.1%[37]	Private
Electrification	1905-1925	0.5%[37]; about 1.1% by another estimate[42]	Private utilities, later public (TVA, rural electrification)
Apollo program	1960-1973	About 0.2%[41]; peak 0.4% in FY1966[43]	Public (federal)

How to read the comparison. The AI figure is a forecast; actual AI spending is still below the railroad era's average. Individual years ran higher than the averages: railroad investment topped 4% of GDP in some years, and the railroad data leave out locomotives and rolling stock[44]. Van Nieuwerburgh cautions that the historical estimates do not use fully consistent methods[44]. Not all AI spending stays in the US either: counting only the estimated 68% that is US content, 2026 guidance equals about 1.2% of GDP[41].

Where spending stands now. Amazon, Alphabet, Microsoft and Meta guided to about $720-745 billion of combined capex for calendar 202645, roughly ten times what they spent in 2019[46].

Section II: What Is Unique About the AI Buildout

Table 2. How the booms compare on time, funding and asset life

Boom	Build time	Who paid	Life of the main asset
AI buildout	About 8 years (2025-2032, projected)[47]	Mostly private, partly debt-funded, with state tax breaks	Servers 5-5.5 years; buildings 25-30 years[48]
Railroads	About 20-year peak (1870-1890)[19]	Private and public: about 175M acres of federal land plus federal bonds[49]	Century-scale assets[50]
Interstate highways	35 years (1956-1992), against a 12-year plan[51]	90% federal, 10% state[52]	Decades
Electrification	Grid began in 1882; 9 in 10 farms connected only by the mid-1950s[53]	Private utilities, then federal TVA and low-cost REA loans[54]	Decades
Telecom and fiber	About 7 years (1996-2003)[37]	Private	Fiber still usable 20+ years later[50]
Apollo	14 years (1960-1973)[43]	100% federal	Not long-lived infrastructure

Time: unprecedented speed at this scale

Past megaprojects took decades. The Interstate was planned as a 12-year, $25 billion program; it took 35 years and $114 billion[51]. Electrification took even longer: in 1936 the REA's first administrator estimated that, at the private sector's pace, it would take another fifty years just to electrify half of US farms[53]. AI aims to do more, faster, targeting about three times the Interstate's share of GDP in under a quarter of the time. AI-related investment roughly doubled as a share of GDP in about a year, from 0.7% to 1.4%[55].

One caveat: telecom was nearly as fast. Its boom also ran about seven years, and measured at a comparable stage, the 1990s tech cycle actually climbed slightly faster, to 1.5% of GDP against 1.2% for AI[56]. What is unique is the combination: AI pairs telecom-era speed with railroad-era scale, or larger. Neither earlier boom had both.

Funding: private capital, increasingly debt

Past booms leaned on government. The Interstate was 90% paid for by the federal Highway Trust Fund through fuel taxes on a pay-as-you-go basis[52]. Apollo was entirely federal. The railroads were private companies, but heavily subsidized: federal land grants totaled roughly 175 million acres, and the government issued 30-year bonds at $16,000-48,000 per mile of track[57]. Rural electrification relied on the TVA and on REA loans at about 2-3% interest[58]. AI, by contrast, is financed overwhelmingly by private capital, a key difference Van Nieuwerburgh highlights[37].

Two qualifications matter. First, funding is shifting from internal cash to debt. Capex now exceeds what the major players can fund from cash flow, pushing them toward outside financing and more leverage[19]; for Alphabet, Amazon and Microsoft, capex absorbed 80% of operating cash flow over the past 12 months, up from 42% in 2023[59]. Second, "entirely private" goes too far. States subsidize data centers heavily: Virginia's exemption cost more than $1.9 billion in FY2025, and Texas expects $3.2 billion over two years[60]. Telecom was also privately financed, so private funding alone is not unique to AI.

Why it matters: when government funds a project, taxpayers carry the risk and there are no stock or bond losses when it ends. When private capital funds it, the risk sits with shareholders, bondholders, private credit funds and, through them, the financial system.

Assets: an inverted depreciation cycle

Past booms built long-lived assets. Railroad rights-of-way and buried fiber lasted for decades, and dark fiber left unused after the 2001 bust was eventually put to work[50]. AI's costliest asset wears out first. Meta estimates useful lives of 5 to 5.5 years for servers and network assets, against 25-30 years for its buildings[48]. The financing runs longer than the hardware: data center leases run 10-15 years and loans 15-30 years, while GPUs are depreciated over five to six years[61]. That is the inversion: the GPU portion of the stack loses value faster than the debt that funds it[50].

The true lifespan is disputed. Michael Burry argues the economic life is closer to 2-3 years, given Nvidia's roughly annual product cycle[62], while Bernstein's Stacy Rasgon counters that GPUs can run profitably for about six years[63]. The implications cut both ways. A 50% GPU glut would be mostly worked off within about five years as chips are retired, whereas the fiber glut took nearly a decade to absorb[64]. But an AI overbuild leaves less durable infrastructure for the next owner; the pattern from railroads and fiber, where the assets survived even when shareholders were wiped out, applies less well when the main asset becomes obsolete before its debt is repaid[65].

Section III: Infrastructure Cycles and Market Concentration

Hartnett's work at BofA shows that each major investment era ended with one dominant theme holding an extreme share of total market value.

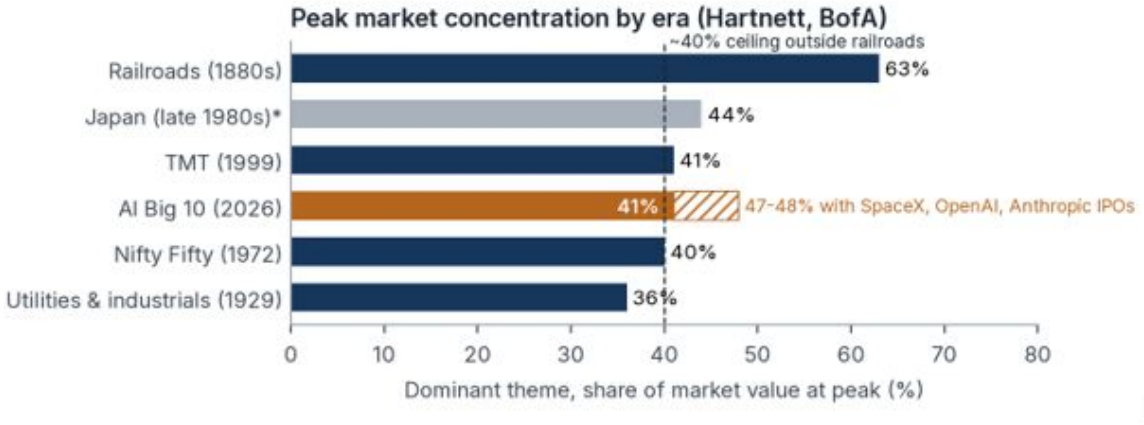


*Figure 2. Dominant theme's share of market value at its peak. *Japan is measured as a share of the MSCI World index and is not a US capital cycle. The hatched extension shows Hartnett's estimate if SpaceX, OpenAI and Anthropic list. Sources:* [66,67,65]

Table 3. Peak market concentration by era (Hartnett, BofA)

Era / dominant theme	When it peaked	Share of market value at peak	Linked capital cycle
Railroads	1880s	63%[65]	Railroad buildout
Japan (share of MSCI World)	Late 1980s	44%[65]	Japanese property and capex boom (not US)
Dot-com tech, media and telecom	1999	41%[65]	Telecom and fiber buildout
Nifty Fifty	1972	40%[65]	None (valuation-driven)
AI Big 10 (Magnificent 7 plus Broadcom, AMD, Micron)	2026	About 40%[66]; 41% in a later update[67]	AI infrastructure buildout
Utilities and industrials (Roaring Twenties)	1929	36%[65]	Electrification and utility holding companies

These figures come from Hartnett's May 22, 2026 report, "Ground Control to Major TAM." He concludes that, outside the railroads, bubble-era concentration has topped out at about 40%[5], and estimates that IPOs of SpaceX, OpenAI and Anthropic could lift AI's weight to 47-48%, second only to the railroads[68].

What the pattern shows

Privately financed capex booms concentrate the stock market; publicly financed ones do not. Railroads, utilities, telecom and AI were all funded by selling stocks and bonds, and those securities came to dominate the market. In 1880, railroads made up about 86% of the market value in the Cowles all-stock index[69]. In 1893, 66% of NYSE-listed firms were railroads, and railroads issued more than 92% of the bonds offered[70]. The market value of S&P telecom firms alone fell by about $700 billion from 2000 to 2002, more than 3.5% of the value of all US corporate equities[71]. The Interstate and Apollo were funded by taxes; they created no listed asset class to inflate, and no matching concentration peak.

The theme concentrates; then the financing structure concentrates. By 1929, utility holding companies controlled over 80% of US electricity generation[72], and ten systems controlled three-fourths of the business[34].

Today a handful of hyperscalers fund most AI capex, and spending is moving outward into private credit, GPU-backed debt and asset-backed securities[73].

Concentration peaks have tended to arrive near spending peaks, not after them. The telecom index peaked in March 2000[71], the same year capex peaked.

Section IV: Markets After the Capital Cycle Peaked

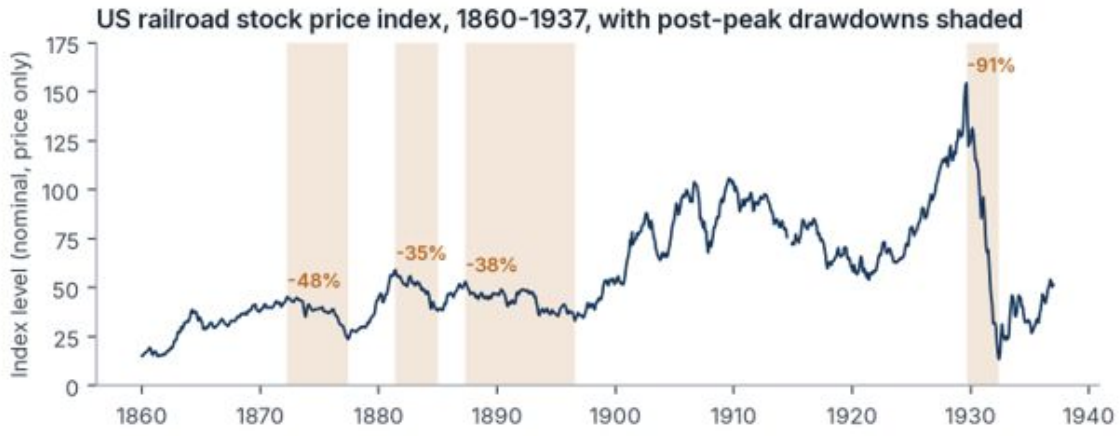


Figure 3. NBER/Cowles monthly index of US railroad stock prices (nominal, price only). Shaded periods mark the post-peak declines in Table 4. Source: [74]

Table 4. Equity drawdowns in the dominant sector after each cycle peaked

Episode	Peak to trough	Decline	Notes
Railroads, Panic of 1873	Apr 1872 to Jun 1877	-48% (railroad stock index)[74]	Half of all railroad bonds defaulted from 1873 to 1879[75]
Railroads, 1880s construction peak	Jun 1881 to Jan 1885	-35%[74]	Followed the 1882 construction peak
Railroads, Panic of 1893	May 1887 to Aug 1896	-38%; -44% from the June 1881 high[74]	A quarter of all rail mileage went into receivership[76]
Utilities, 1929 crash	Sep to Nov 1929	-55% for utilities vs. -48% industrials and -32% railroads[77]	Insull holding-company investors lost over $700 million[28]
Railroads, 1929-32	Sep 1929 to Jun 1932	-91%[74]	One-third of rail mileage run by bankrupt firms by 1938[78]
Nifty Fifty, 1973-74	Jan 1973 to Oct 1974	S&P 500 -48%; Polaroid -91%, Avon -87%[79]	Concentration without a capex boom
Telecom, 2000-02	Mar 2000 to May 2003	Nasdaq telecom index -89% (1,230 to 136)[71]	Telecom lost about 95% of its market value, roughly $2 trillion[80]

Railroad declines are calculated from the NBER/Cowles monthly railroad stock price index; nominal, price-only, excluding dividends.

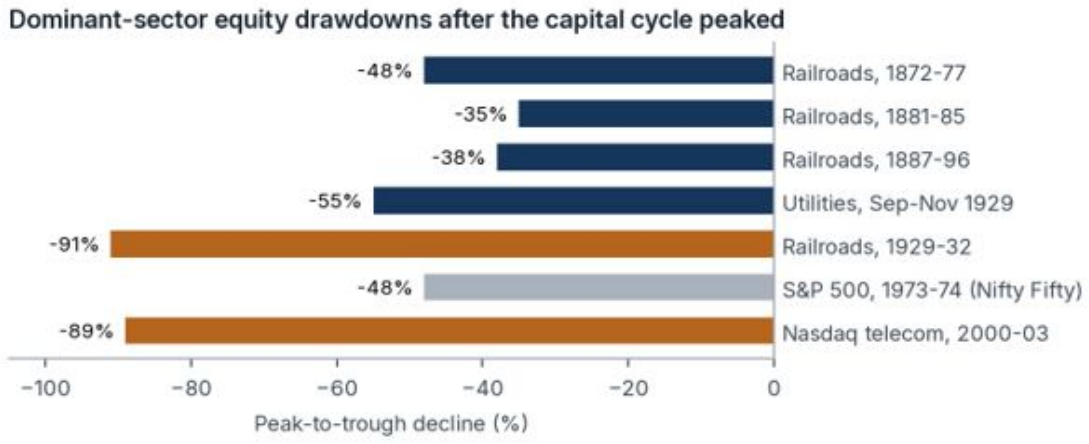


Figure 4. Peak-to-trough declines in the dominant sector. Sources: [74,77,79,71]

Observations

Losses in the dominant sector were severe every time: 35-50% in the 19th-century railroad busts and 85-95% in the 1929-32 and 2000-02 collapses. Recoveries were slow. Railroad stocks were still about 44% below their 1881 high fifteen years later[74]; the S&P 500 took seven years to regain its January 1973 level[79]; and the Nasdaq did not regain its 2000 peak until 2015[81].

Bondholders also lost heavily when the boom was debt-financed. Telecom bond investors recovered just over 20% of their money[82], after industry debt grew from $9 billion in 1996 to $306 billion by 2000[83]. The infrastructure itself usually survived. After 1873 the track remained and was later bought at fire-sale prices[75], and fiber from the 1990s still carries traffic. This is where AI's short asset lives matter most.

Section V: Impact on the US Economy After the Busts

Table 5. Economic aftermath by episode

Episode	Economic outcome	Severity
Railroads, 1873	65-month contraction, the longest in US history at the time; national unemployment of 14%; railroad construction fell 78% from 1872 to 1875[75]	Severe
Railroads, 1893	Industrial production fell 15.3%; unemployment reached 17-19%[84]; about 15,000 companies and 500 banks failed[76]	Severe
Utilities / 1929	Real GDP fell 29% from 1929 to 1933; unemployment peaked at 25%[85]	Depression (many causes)
Apollo wind-down	Regional: Boeing cut its workforce from 80,400 to 37,200 between early 1970 and October 1971; Seattle unemployment hit 14%[86]	Regional
Interstate completion	No bust; one study estimated more than $6 of economic benefit per $1 invested[83]	None
Telecom, 2000-02	Eight-month recession (Mar-Nov 2001); real GDP fell about 0.3%[36]; unemployment peaked at 6.3% in June 2003[87]	Mild

Telecom: markets crashed, but the recession was mild

The market and industry damage was enormous. By the end of 2002, telecom equity investors had lost about $2 trillion, double the dot-com losses and eight times the cost of the savings and loan crisis[80]. More than 60 telecom companies went bankrupt and more than 500,000 jobs were cut between late 2000 and mid-2002[88], and WorldCom became the largest bankruptcy in US history at the time[89]. The S&P 500 fell about 43% from 2000 to 2002[81].

Yet by most measures the 2001 recession was the mildest since World War II. William Nordhaus described it as barely visible in the GDP data[90]. Four factors kept it mild: consumers kept spending, as real household spending did not decline at all[91]; the Fed eased aggressively, with a record 11 rate cuts in 2001[92]; losses fell mostly on stock and bond investors rather than banks, so there was no banking panic; and the pain showed up in profits and jobs rather than output. Goldman Sachs called 2001 the mildest postwar recession by GDP but one of the most severe for corporate profits[93].

The common thread: financing determined the damage

	Severe aftermath (1873, 1893, 1929)	Mild or no aftermath (2001, Interstate, Apollo)
Financing	Heavy debt, routed through banks and leveraged holding companies	Equity-heavy (telecom) or tax-funded (Interstate, Apollo)
Transmission	Bank failures and credit freezes	Losses held by stock and bond investors; no banking panic
Consumer spending	Collapsed	Held up (2001)
Policy response	Limited (no central bank before 1913; tight money in 1929-33)	Aggressive Fed easing (2001)

Section VI: Beneath the Surface: Record Volatility in Momentum and Hedge Fund Crowding

October looked unremarkable at the index level until its final session. The S&P 500 ETF fell just 0.9% for the month, the VIX never closed above 2012, and, during the month, options priced individual stocks as moving largely independently, with one-month implied correlation at 10.9[94]. Underneath, leadership has been unwinding violently. The stocks that led the AI trade, and the stocks hedge funds crowd into most, have suffered some of their worst days in more than a decade. On October 30 the rotation broke into the open: the Nasdaq had its worst day since June 5 and finished its worst month since March 2025[14], with the momentum ETF down 4.8% and the semiconductor ETF down 7.0% on the day[12].

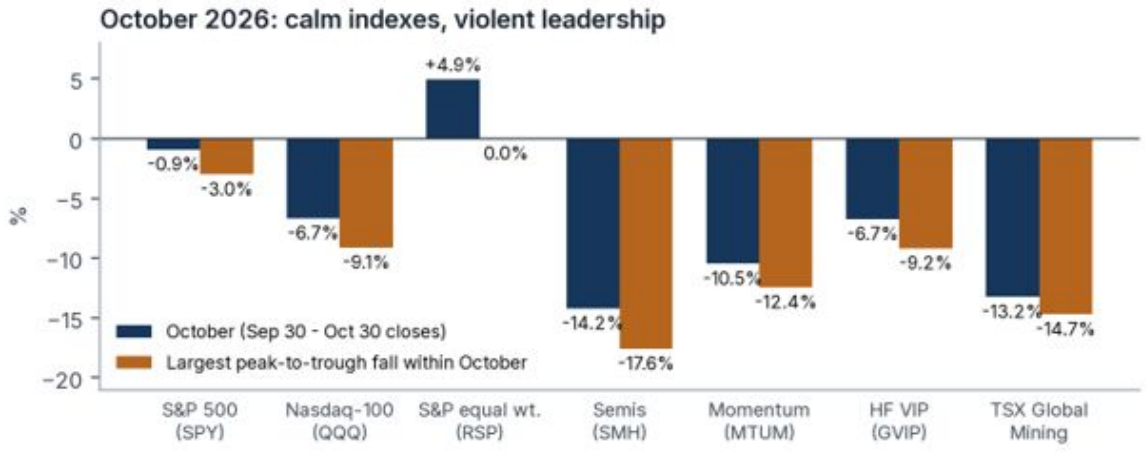


Figure 5. October 2026 price moves for index and factor ETFs and the S&P/TSX Global Mining Index (in Canadian dollars), Sep 30 to Oct 30 closes. The copper bar is the largest close-to-close decline within the month. Computed from daily closing prices[12].

Table 6. October 2026 scorecard: the indexes versus the leadership

Measure	October move	Context
S&P 500 (SPY)	-0.9% for October; worst intra-month fall -3.0%[12]	Headline index nearly flat
S&P 500 equal weight (RSP)	+4.9% for October[12]	Average stock outperformed the cap-weighted index by almost 6 points
Semiconductors (SMH)	-14.2% for October; -17.6% peak to trough[12]	Philadelphia Semiconductor Index fell 6.72% on Oct 22[94]
US momentum (MTUM)	-10.5% for October; -12.4% peak to trough[12]	Long-only momentum ETF; -4.8% on Oct 30 alone
GS Hedge Fund VIP index	-4.2% on Oct 22, worst day since 2011; -10.4% for the month as of Oct 26[13]	Tracking ETF (GVIP) -6.7% for October, including -3.7% on Oct 30[12]
GS High-Beta Momentum (GSPRHIMO)	About -43% from its June high in late October; all 2026 gains erased[95]	Retesting its July low
Morgan Stanley momentum pair	-8.1% on Oct 22[94]	Long value, short momentum gained almost 24% in one month[94]
S&P 500 breadth, Oct 22	Index -1.21% while 335 stocks rose and 161 fell; equal weight +0.73%[94]	A rotation, not a broad sell-off
Hedge fund performance	Fundamental long/short -3.8% in October; tech-focused funds about -10% through Oct 22[96]	Systematic funds had their worst week since 2024[97]
Oct 30 session	Nasdaq's worst day since June 5; worst month since March 2025, -5.3%[14]	Intel fell nearly 30% on weak guidance[98]; SMH -7.0% on the day[12]
S&P 500 non-AI index	Outperformed the S&P 500 for the first time this year[95]	Erosion of AI's three-year lead

The October return for the Hedge Fund VIP ETF (GVIP) in Figure 5 differs from the -10.4% reported for Goldman's index because the measurement dates differ and the ETF rebalances quarterly.

Volatility in momentum and crowding is at multi-year highs

The swings are not a one-month event. Goldman's Ben Snider wrote in July that the volatility of its momentum factor had surged to the highest level of its 45-year history excluding recession years15. J.P. Morgan Asset Management measured momentum volatility at six-year highs and said its Momentum Fragility Index pointed to an elevated risk of a momentum crash[99]. Axioma's risk model put momentum's predicted volatility near the highest in the model's history, still in the top 6% of readings in September, and higher than that of any other style factor100.

We checked these findings against ETF data. Figure 6 tracks the three-month realized volatility of two spreads: the momentum ETF against the S&P 500, and the Hedge Fund VIP ETF against the equal-weight S&P 500. Both readings peaked this summer at about 30%, well above anything since the Hedge Fund VIP ETF launched in late 2016, including the 2020 pandemic and vaccine shocks.



Figure 6. Rolling 63-trading-day realized volatility, annualized, of daily return spreads: MTUM minus SPY and GVIP minus RSP, February 2017 to October 30, 2026. Dotted lines mark the highest pre-2026 readings. Computed from daily closing prices[12].

Table 7. Volatility gauges at their highest levels in years

Gauge	Reading	Historical comparison
Goldman momentum factor, 3-month realized vol	Highest in its 45-year history excluding recession years (July 2026)[15]	Goldman found 11 similar episodes since 1980 after 20%+ three-month rallies[101]
J.P. Morgan momentum factor vol	Six-year high; Momentum Fragility Index elevated[99]	Highest since 2020
Morgan Stanley sector-neutral momentum	-17.4% over four sessions in July[102]	Worst four-day stretch in the series' history
GS VIP long/short basket, Oct 22	About -4% in a day[103]	Only DeepSeek Monday (Jan 2025) and March 2020 compare in the past decade
Momentum spread vol (MTUM minus SPY, 3-month)	30.8% peak (Aug 19, 2026); 18.3% on Oct 30[12]	Prior high since 2017: 18.9% (May 2021)
Crowding spread vol (GVIP minus RSP, 3-month)	30.5% peak (Aug 3, 2026); 17.9% on Oct 30[12]	Prior high since 2017: 22.8% (Nov 2020)
Worst daily GVIP-minus-RSP moves since 2016	Four of the six worst days fell in 2026: Jun 23 (-5.7%), Oct 22 (-4.0%), Feb 4 (-4.0%), Jul 16 (-3.5%)[12]	The other two: Nov 9, 2020 (-4.9%) and Jan 27, 2025 (-4.6%)

Why this kind of volatility tends to precede a change in leadership

Momentum and crowding baskets are, by construction, long the market's recent leaders and short its laggards. When their volatility spikes while the index stays calm, it means investors are aggressively swapping one group for the other. Leveraged, crowded positions amplify the moves: when the leaders stumble, funds cut gross exposure, which pushes the leaders lower and squeezes the shorts higher. In October, hedge funds de-grossed on seven of eight sessions, with net leverage of fundamental long/short funds falling to the 1st percentile of its three-year range[95], while hedge funds' exposure to the Magnificent 7 had reached a record 22%[94].

Table 8. Momentum volatility shocks and what followed

Episode	Volatility signal	What followed for market leadership
Jul-Aug 1932	The two worst months for momentum in 1927-2013: past losers +232%, past winners +32%[16]	Beaten-down stocks led the rebound from the Depression low; Daniel and Moskowitz find momentum crashes cluster in high-volatility rebounds
1999-2000 tech peak	Momentum's relative volatility was 15.9% annualized in Dec 1998-Dec 2000, almost double the 2018-20 level[17]; on Apr 3, 2000 leaders fell 8.83% while laggards rose 0.76%[104]	Value and quality stocks gained 22% and 27% a year from Mar 2000 to Dec 2002[105]; tech went on to a lost decade[102]
Mar-May 2009	Past losers +163%, past winners +8% over three months[16]	Leadership passed to the stocks hit hardest in the financial crisis as the new bull market began
Nov 9, 2020 (vaccine)	Largest one-day momentum reversal on record, a net decline of more than 23%[18]	Value rally through 2021-22[106]; energy, nearly unownable in 2014-2020, led in 2021 and 2022[102]
Jan 27, 2025 (DeepSeek)	GVIP minus RSP -4.6% in one day[12]	Counterexample: AI leadership resumed, and momentum gained about 57% in the first half of 2026[107]
Summer and Oct 2026 (current)	Record momentum volatility outside recessions[15]; worst hedge fund VIP day since 2011[13]	Early evidence of rotation: Russell 3000 growth had its worst nine months against value since 2000-01, down about 3% vs. value up more than 23%[108]; non-AI stocks outperforming[95]

What history suggests. The most consequential shifts in US market leadership in the past century (1932, 2000, 2009 and 2020) each arrived with a spike in momentum volatility, as the prior winners and losers swapped places in a matter of days or weeks. The signal is not infallible. Goldman counts 11 momentum-volatility spikes since 1980 that followed sharp rallies, and finds that each was followed by a period of consolidation rather than necessarily a lasting regime change[101]. DeepSeek Monday in January 2025 looked like a turning point, but AI leadership reasserted itself within months[107].

What distinguished the true turning points. In 2000 and 2020, the volatility shock coincided with a fundamental catalyst that changed the earnings path of the leaders (the end of the telecom capex cycle in 2000, the vaccine reopening in 2020), and the shocks came in repeated waves rather than a single day. Today's market shows some of the same features. There have been repeated waves (February, June-July and October 2026). The cap-weighted index is diverging from the average stock. And the catalyst is tied directly to the capex cycle discussed in this letter: Meta raised the low end of its 2026 capex guidance to $135 billion as its free cash flow turned negative, and its stock fell 7% in a day[95]. Section III showed that market concentration has tended to peak near the spending peak. Leadership volatility of this magnitude is consistent with that turn starting, though it does not yet confirm it.

Section VII: Implications for the AI Cycle

• Size raises the stakes. AI-related categories accounted for 39% of US GDP growth through Q3 2025, against 28% for comparable categories in 2000[109]. A slowdown in capex would weigh more on growth than the telecom bust did.
• Concentration is at the historical ceiling. With the AI Big 10 at about 40% of US market value, a drawdown on the scale of the telecom or railroad busts would hit household wealth harder than in 2000, and the wealth effect on consumer spending would matter more.
• Financing is the key variable to watch. Funding capex from cash flow resembles the less damaging telecom pattern. The move toward private credit, GPU-collateralized loans and off-balance-sheet structures pushes AI toward the debt-heavy pattern of 1873, 1893 and 1929[19].
• Short asset lives cut both ways. A glut would clear faster than the fiber overhang, but debt secured by fast-depreciating hardware leaves lenders with less recovery value than railroad track or buried fiber.
• The revenue hurdle is steep. Van Nieuwerburgh estimates the industry needs about $3.7 trillion of annual revenue by 2032 to earn its expected return, against about $100 billion of combined revenue at OpenAI and Anthropic today, implying roughly 80% annual growth[19].
• Look beneath the surface, not just at the index. Momentum and crowding volatility at multi-year highs, combined with an equal-weight index outperforming the cap-weighted one, is the pattern that has historically come before leadership changes. Whether this episode becomes a regime change or another consolidation will likely depend on whether AI capex returns begin to disappoint.

Conclusion

History suggests that investors in the dominant sector can lose 50-90% of their capital after a capital spending peak, and whether the wider economy follows has depended on leverage, the health of the banking system and the resilience of consumers. On those measures, the AI buildout today sits between the 2000 telecom pattern and the 19th-century railroad pattern, and it is moving closer to the railroads as its financing shifts toward debt. The volatility now visible beneath calm headline indexes is the kind that has preceded past changes in market leadership. The Fund continues to focus on owning physical metals rather than financial instruments, giving it unique exposure to idiosyncratic opportunities across our investable universe of 65 metals. The Fund's resilience during periods such as October is critical to our longer-term objective of generating strong risk-adjusted returns as stewards of your capital.

Sincerely,

Michael Crandall
Co-founder & CIO, Primary Commodity Fund

Appendix: Methodology and Important Disclosures

• Insull quotation. The opening quotation reflects the wording commonly attributed to Samuel Insull; we were unable to locate it verbatim in a primary source. Its substance is consistent with his documented 1898 address to the National Electric Light Association, which identified the cost and availability of capital as the industry's central problem. Insull-era dollar figures are nominal and drawn from contemporary press and later histories, which differ in their estimates.
• Inconsistent measurement. Shares of GDP are drawn from different researchers whose definitions and methods vary. Figures from before World War II rest on reconstructed historical data. AI figures mix actuals and forecasts, labeled where they appear.
• Market concentration figures come from Michael Hartnett's BofA research as reported in secondary sources. They measure the dominant theme's share of total market value, not single-stock weights.
• Railroad stock declines are calculated from the NBER/Cowles monthly railroad stock price index on FRED (series M11005USM293NNBR); nominal and price-only.
• October 2026 ETF figures and spread volatility are our calculations from daily closing prices for SPY, QQQ, RSP, SMH, MTUM, GVIP and VIX, and for the S&P/TSX Global Mining Index, through October 30, 2026. Spread volatility is the annualized standard deviation of daily return differences over a rolling 63-trading-day window. These ETF spreads are proxies for, not replications of, the Goldman Sachs and Morgan Stanley long/short factor baskets, whose figures are cited from press reports of the banks' research.
• Causation. Linking a bust to its economic aftermath does not mean the bust alone caused the downturn; the 1929-33 Depression in particular had many causes. Past episodes of momentum volatility do not guarantee a change in leadership.
• Disclosure. This letter is provided for informational and discussion purposes only. It does not constitute investment advice, a recommendation, or an offer or solicitation to buy or sell any security or interest in any fund. Past performance is not indicative of future results. Third-party data are believed to be reliable but are not guaranteed.

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