November 2025 Rebalancing

Rebalancing Nov/25. Extremely difficult market, portfolio moves to 25% cash, nowhere to invest, -12% portfolio vs. +10% QQQ, what to expect from the AI bubble.

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Data sources: TIKR and TwelveData. **Tools**: own software.

Monitoring and investment plan: https://www.jongarcialabiano.com

Rebalancing

In the previous rebalancing, I commented as follows: "This rebalancing has been very dufficult because the market is seeing widespread profit stagnation, at least among companies that meet the criteria for a reasonable growth portfolio. This stagnation means that valuations are starting to look expensive for the same price, or that some companies are simply losing the predictability of their earnings. This does not mean that the market is overpriced and that everything should be sold, but at current prices, valuations are becoming more expensive than before and it is much more difficult to find candidates to add to the portfolio. If the market continues like this in the coming months, it may be necessary to leave part of the portfolio in cash while waiting for new opportunities to arise, until the market returns to growth or finishes rotating towards other types of companies."

And the situation has worsened considerably, so much so that in this rebalancing, two portfolio companies will be removed and none will be added. There are no new companies that meet the criteria for inclusion in the portfolio, and those that are there have very clear prospects of a substantial decline in earnings growth. To make matters worse, this has coincided with a period of poor earnings reports, exacerbated by the brutal market reaction and the growing AI bubble that is sending the SPY and QQQ soaring.

ADBE and AMP: everything is going well for now, they remain in the portfolio, but we will see how they evolve.

CI: remains in the portfolio but its growth rate is falling. If it is below 10% at the end of the year, it will be removed from the portfolio because below 10% it would be closer to other types of valuations more similar to fixed income. In the portfolio, we require at least 10% growth.

COR: It has been performing like the perfect company for a very long time. It entered the portfolio in May 2023, but it is now approaching high valuations, higher than the portfolio can tolerate. We will wait for it to report its results to see what happens. Perhaps it will surprise us with higher growth and turn out not to be so expensive.

FI: its growth has come to a screeching halt, it has completely lost its predictability, it has to be removed from the portfolio, the pity is that the market has punished it brutally in these circumstances.

HIG: growth is expected to stall; we will hold on to it until it presents its results at the end of the year to see what the forecasts are; it is not expensive, PER 10.

SPNS: it has come to a screeching halt, predictability has been completely lost, it will not grow again for another two years, it has to be removed from the portfolio. The market has also punished it brutally.

WAB: Everything is progressing correctly; it remains in the portfolio.

As a reflection, in relation to SNPS, we often spend a lot of time analyzing a company, investment theses, researching, etc., and in the end, in a results presentation, company X announces that things are not going as well as they should and that its expected growth will not be as high as anticipated. In a minute, its share price drops 30% in pre-market trading, and that's it. You can't do anything about it. No one else talks about it anymore, and you have to swallow that 30% loss on a stock that you have to sell and to which you have devoted so much time. It's something you have to live with as an investor and know how to deal with. Because of things like this, the psychology of investing is so important. You have to have a plan, stick to it, and never give up.

CAH (Cardinal Health Inc.): This company was a strong candidate for inclusion in the portfolio in this rebalancing, but just this past week, after presenting its results, its share price has skyrocketed, and now is not the time to buy. We have to wait for it to fall back, but it is a little difficult to understand why it has skyrocketed because the forecasts are not that spectacular, and perhaps seeing that, it will not be included either.

November 03, 2025	TOTAL REFERENCE CAPITAL	$100,000.00
	CAPITAL PER COMPANY	$12,500.00

TICKER	COMPANY	EXCHANGE	PRICE	SHARES	CAPITAL
$	Cash	-	$1.00	12500	$12,500.00
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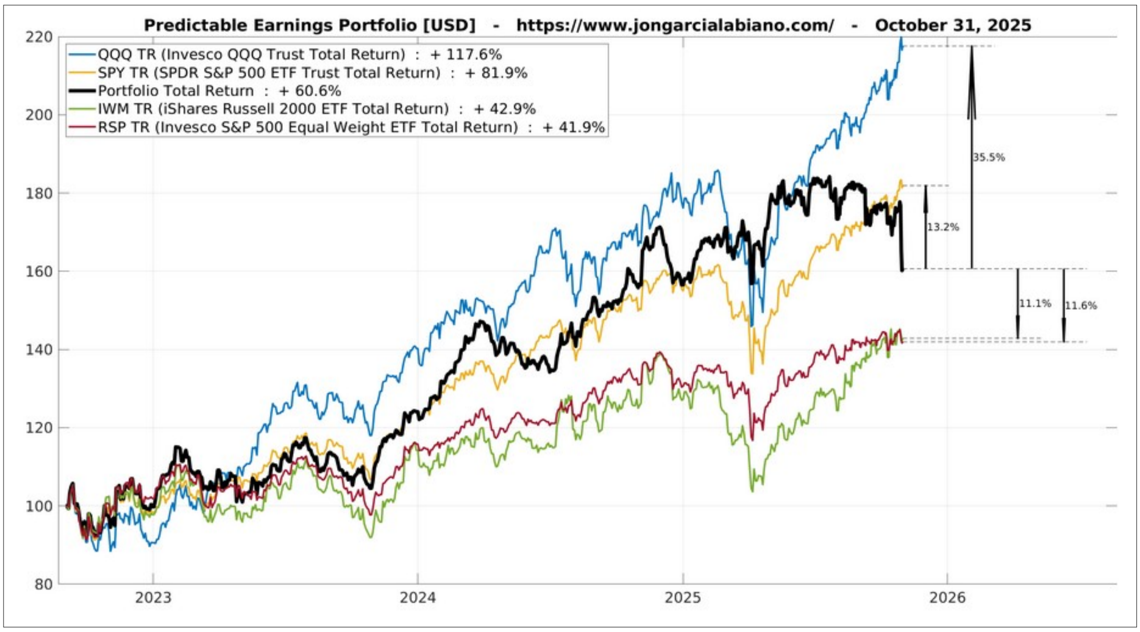
ADBE	Adobe Inc.	NASDAQ	$340.31	36	$12,251.16
AMP	Ameriprise Financial, Inc.	NYSE	$452.77	27	$12,224.79
CI	The Cigna Group	NYSE	$244.41	51	$12,464.91
COR	Cencora, Inc.	NYSE	$337.81	37	$12,498.97
HIG	The Hartford Insurance Group, Inc.	NYSE	$124.18	100	$12,418.00
WAB	Wabtec Corporation	NYSE	$204.44	61	$12,470.84

EXCESS CASH	$671.33

Return of the portfolio

The portfolio has suffered a sharp decline, down to a 16% CAGR, falling 13% behind the SPY, due to the brutal market reaction to the latest earnings reports and the growing AI bubble that is sending the SPY and QQQ soaring. Below you can see the overall performance and details for the last two months.



START DATE (+)	END DATE (++)
Sep 01, 2025	Oct 31, 2025

	INITIAL CAPITAL	ENDING CAPITAL (*)	RETURN
ADBE	$12,484.50	$11,910.85	-4.59%
AMP	$12,355.44	$10,866.48	-12.05%
CI	$12,335.67	$10,082.72	-18.26%
COR	$12,247.62	$14,188.02	15.84%
FI	$12,436.20	$6,002.10	-51.74%
HIG	$12,437.14	$11,721.80	-5.75%
SNPS	$12,070.40	$9,076.40	-24.80%
WAB	$12,384.00	$13,084.16	5.65%

	INITIAL CAPITAL	ENDING CAPITAL (**)	RETURN
PORTFOLIO	$100,000.00	$88,181.56	-11.82%
SPY TR	$100,000.00	$106,030.13	6.03%
QQQ TR	$100,000.00	$110,413.52	10.41%

BENCHMARK	RETURN PORTFOLIO = RETURN SPY TR - 17.85%
	RETURN PORTFOLIO = RETURN QQQ TR - 22.23%

(+) It is purchased at the closing price of the previous Friday.

(++) Sold at the closing price of the day.

(*) Includes dividends received.

(**) Includes dividends received and initial residual cash.

What's going on?

Jose Luis Cárpatos explains it best in this video from Saturday, November 1, 2025. If you're reading this, I encourage you to watch it: https://www.youtube.com/watch?v=fPm2ihefaWo

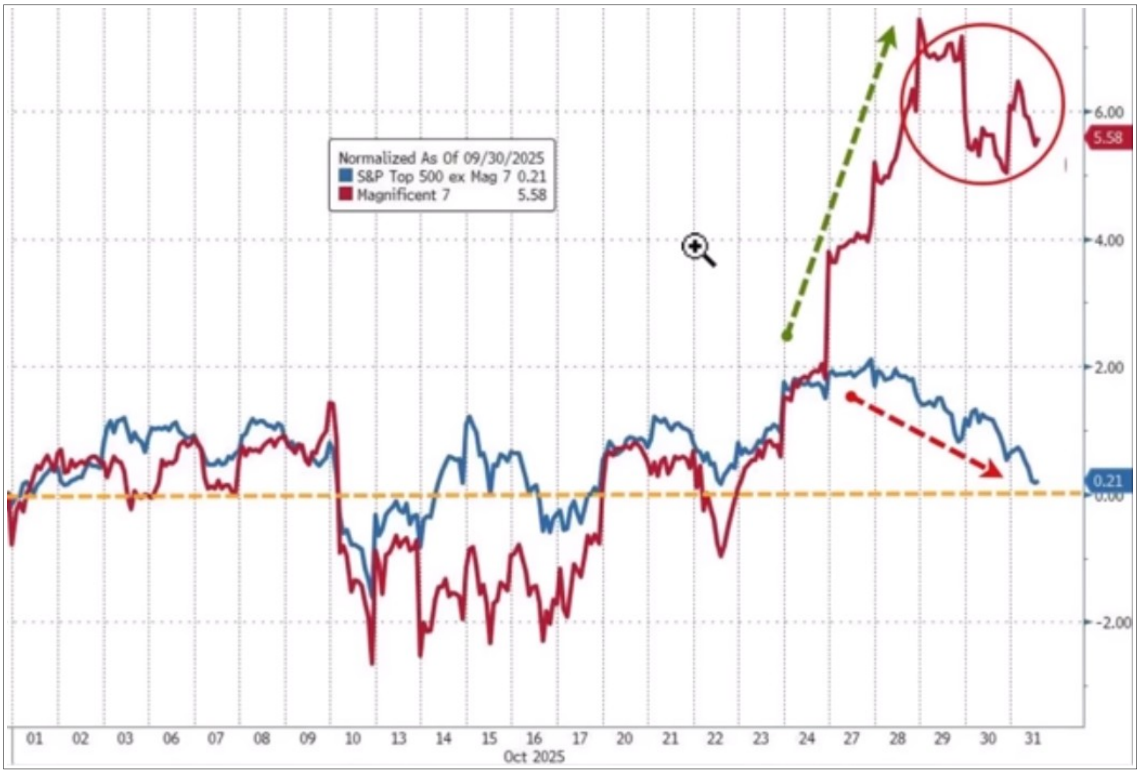
My opinion is as follows, but it is only my opinion, and I may be wrong:

- There is a slowdown in the growth of profits for S&P 500 companies in general. You can call it a recession or whatever you want.
- The market is brutally punishing companies that report poor or inconsistent results, and rewarding the few companies that continue to perform well. It is a kind of extreme rotation from one group of companies to another.
- Above all, AI is masking everything as if nothing were happening in the global market.
- The underlying market is damaged, and sooner or later it will retreat in a very visible way if nothing is done. Companies in general need lower interest rates, fewer tariffs, and less friction and uncertainty.
- There may be a paradox in which interest rates have to be lowered rapidly with the market at highs driven by AI, and there is no collapse of the index because the top 10 is pulling it up.

- If interest rates do not end up falling, the market will become unsustainable with AI alone, and sooner or later it will be dragged down, causing its bubble to burst, which would be the worst-case scenario.
- The biggest obstacle to lowering interest rates is tariffs and the inflation they cause, but at the same time, the economic slowdown they cause may be an incentive for lowering rates.
- It may be the case that lowering rates and eliminating tariffs occur simultaneously in an almost inevitable manner, which would be extremely positive for the market. If this happens, there could be a sharp upward reaction. If backwardation occurs in futures, it would be time to leverage after a prudent period of observing the market. If this happens, I will present an investment plan.
- At this point, I would recommend keeping part of any portfolio in cash; 10% or 20% would be appropriate.

Some notes provided by Cárpatos in his video:

- Gross domestic product is boosted by AI; it would not grow more than 0.1% if it weren't for AI. AI is what is fueling American growth, mainly through the construction of data centers, but the rest of the economy is completely stalled.
- The US government is pouring a lot of money into AI through infrastructure investments, inflating the bubble.
- Comparison of the S&P 500 ex7 vs. mag 7 in October. The market is becoming increasingly and dangerously focused on the magnificent seven. The index is exhibiting increasingly extreme behavior, becoming more and more focused on AI and the magnificent seven.



- The market is already beginning to punish such stratospheric investments in AI that do not seem to have such a clear return.
- Hindenburg Omen activated. It does not always trigger a bear market when it appears, but whenever a bear market has started, it has been preceded by this signal. It indicates a large divergence in the market, panic in a large part of the market, and extreme euphoria in the rest. It is activated when, after an upward trend, there are many new lows and, at the same time, many new highs. The market is starting to become dangerous. The effect is usually felt after two or three months, with more or less significant falls.
- It should also be noted that seasonality between now and January is good.
- The bubble could continue for much longer.
- The Fed has changed its stance and is no longer so sure about continuing to lower interest rates.
- There could be a scenario of inflation rising to 4%, which would halt rate cuts and somehow burst the AI bubble.

What pleases me a little, for lack of a better word, is that large investors are seeing something similar to what I am seeing: the market is extremely difficult, and there are few options for investing with any degree of certainty beyond AI, which is still a ticking time bomb.

Thoughts on the AI bubble

It is dangerous that the US government is betting so heavily on AI and hiding the problems in the rest of the economy, betting so heavily on a bubble.

The entire AI bubble is very insular, with a lot of money coming from high-tech companies and other money that does not yet exist. Everything is moving too fast, like a race to see who gets there first, but many participants will end up losing everything and only a few companies will win. Everything is being pushed too hard, perhaps to the point of breaking.

And there may be a paradox in that the big tech companies end up losing, because much of the money being spent on AI comes in one way or another from the big tech companies, and much of what is being done now will end badly, with much of the money lost, affecting the profits of the big tech companies, which will have to consider this a loss of profits. In addition, sooner or later, many large investors will wonder why there are so many data centers and so much uncertainty in an endless race instead of distributing profits to investors.

And as a final thought, the Nasdaq cannot continue to grow at a rate of 30% per year indefinitely. It is absolutely unsustainable, and if something is done sooner rather than later, a collapse can be avoided, and I hope that is what happens, favoring the non-AI economy more.