



What We're Seeing: A Market Becoming More Selective

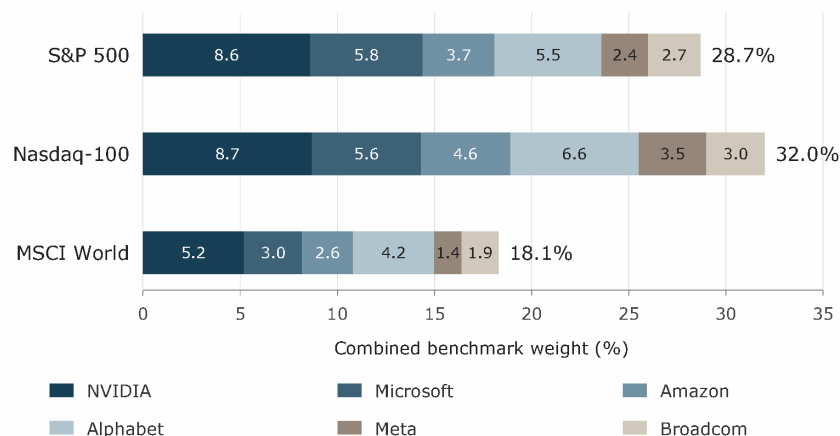
September showed how quickly the investment conversation is shifting from broad themes to a harder question: *which companies and strategies can actually justify the capital being committed to them?*

September did not look especially dramatic if you only watched the headline indexes. Beneath the surface, however, investors were drawing much sharper distinctions. Semiconductor shares rose double digits, while small-cap and consumer discretionary stocks fell more than 5%. Oil advanced roughly 9%, traditional bonds weakened, and the U.S. dollar strengthened. The broad market looked calm; the market underneath it did not.

That dispersion came alongside another shift in the backdrop. The Federal Reserve raised its policy rate by 0.25 percentage points to 3.75%-4.00% in September, even as it described economic activity and capital investment as solid. The combination matters: a large corporate investment cycle is unfolding at the same time the cost of capital remains high. That tension is beginning to separate companies, sectors, and investment approaches more clearly.

The market is asking a harder question

Benchmark concentration of AI leaders



The most useful September signal was not the direction of the index, but the widening gap between broad participation and selective exposure.

AI is becoming a capital-allocation story

Artificial intelligence remains at the center of the investment cycle, but the conversation around it is changing. Investors are looking beyond the companies' selling chips and software to the data centers, power systems, and equipment needed to support the buildout. That shift is reflected in the managers we follow, some of whom are emphasizing businesses with scarce capacity, established cash flows, or critical infrastructure rather than simply increasing broad technology exposure.

As the dollars involved get larger, the question is shifting from whether AI adoption will continue to whether the companies funding and building the ecosystem can earn attractive returns. Investors can believe in the same long-term theme while reaching very different conclusions about valuation, financing risk, and who ultimately captures the economics.

Higher rates are rewarding a similar kind of selectivity

Fixed income delivered the same message from a different direction. Traditional bonds struggled in September, while floating-rate loans, short-duration strategies, and AAA CLO exposure were comparatively resilient. The difference was less about predicting the next economic release than about portfolio construction: how much duration risk a manager was willing to take, what kind of credit risk it was being paid for, and how much flexibility remained if rates stayed higher.

Some fixed-income managers are also finding opportunities around technology and energy infrastructure, extending the AI capital cycle into credit markets, while others remain cautious because corporate spreads leave little room for error. The pattern is not agreement on one trade; it is a shared emphasis on underwriting the economics rather than simply following the theme.

The common thread is selectivity

Taken together, September reinforced a message that may matter more than any single monthly return: capital is becoming more discriminating. Equity managers are separating AI beneficiaries from businesses that still need to prove their economics. Fixed-income managers are distinguishing broad interest-rate risk from income sources less dependent on falling rates. The market itself is making sharper distinctions between areas supported by corporate investment and those exposed to higher prices and borrowing costs.

The AI cycle may be entering a more durable phase, but the next stage could demand greater discrimination between builders and beneficiaries and between companies that can absorb large capital commitments and those that may struggle to earn an adequate return.

What we're watching next

We will be watching whether financing costs separate strong AI projects from weak ones, whether power and infrastructure become genuine bottlenecks, and whether market leadership broadens beyond a concentrated group of companies. If those divisions widen, the headline index may become an increasingly incomplete description of what is happening underneath it.

How Piedmont can help

Piedmont combines independent manager research with portfolio-level analysis to look beyond headline returns and understand how emerging themes may create opportunities, concentrations, or risks across a family's investment strategy. [Contact Piedmont](#) to discuss how these market shifts may affect your family's investment strategy—and whether your portfolio remains aligned with your long-term goals.

For informational purposes only. Each family's circumstances are different; investment decisions should be evaluated in the context of the family's complete plan and with the appropriate advisors.

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