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THE BIG REPRICING

*Debt, Geopolitical Power, Artificial Intelligence and the
Implications for Investment Portfolios*



22 CHAPTERS · 111 QUESTIONS · ONE METHOD

*The long-term debt-cycle frameworks, applied to live investment decisions — with
the reasoning shown, the probabilities dated, and the conditions of being wrong
written down in advance.*

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Who Carries the First Loss

How the AI build is financed, and what the lender actually owns

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A working paper drawn from Chapter 18 and Q85–Q89 of The Big Repricing (First Edition, October 2026). Figures carry the dates of their sources and should be refreshed before any decision that depends on them. Nothing here is personalised investment, legal or tax advice.

The question this paper answers

The public argument about AI infrastructure is an equity argument: whether the revenue will arrive, whether the capex is justified, whether the stocks are expensive. Almost all of it is about the parents — the five large platforms whose balance sheets anchor the complex. That argument matters, and we take a side in it elsewhere. But it is no longer where the interesting risk sits.

Over 2025 and 2026 the build has been financed increasingly at one remove from the parents: through non-recourse vehicles, project-style campus financing, loans collateralised by the processors themselves, vendor-arranged structures and securitisation. That is a legitimate and, in most cases, defensible way to allocate risk. Project finance exists precisely so that a specific asset carries its own debt. But it means the question an owner of this debt should be asking has changed. It is no longer “are the platforms good for it”. It is “which entity actually owes me the money, what secures it, and in which order do losses land if the ramp disappoints”.

This paper answers that question with public information. Its claim is not that the AI build is a fraud or that the platforms are hiding losses. Its claim is narrower and, we think, more useful: the strongest balance sheets in the complex are the ones least attached to the marginal debt, and a holder of AI-linked paper who has not done the look-through may own something quite different from what the rating on the cover suggests.

The claim in one page

Roughly \$570 billion of AI-related debt is being raised in 2026, more than double the pace of a year earlier, with about \$236 billion already priced by 31 May (Morgan Stanley, reported 10 June 2026). The five large platforms issued about \$121 billion of US investment-grade bonds in 2025, against an average of roughly \$28 billion a year over 2020–24 (BofA Securities, reported 15 January 2026). Those parent-level bonds are the strongest claims in the stack: full recourse to diversified franchises whose cash flows do not depend on AI succeeding, with low net leverage and high interest coverage at most issuers. Strong structure is not the same as fair value, and the five issuers are not interchangeable — Oracle, discussed below, has already repriced sharply.

The risk has moved to the next layer down, where three features combine. First, the borrowing is deliberately structured so that the lender's claim stops short of the parent — non-recourse or limited-recourse by design. Second, the collateral at the bottom of many structures is a depreciating electronic good: a graphics processor whose useful economic life is perhaps five years, financed over six or more. Third, the cash flow that actually repays the debt is usually a single contract with a single counterparty. When all three features are present, the loan is only as good as that contract — and the equity, the rating and the story around the loan can all obscure that.

THE ASYMMETRY WE WANT THE READER TO HOLD

The scenario the market is positioned for is an equity drawdown with debt money-good. The scenario these structures were built to produce is different — a vehicle-level impairment in which the parent's equity survives intact and the loss lands, as designed, on whoever lent to the vehicle. Both can happen at once, at different entities. Knowing which one you own is the whole job.

The stack: where the money actually sits

From the safest claim to the most structurally exposed, using public sources dated as shown.

1. Hyperscaler parent bonds. About \$121 billion of US investment-grade issuance from Amazon, Alphabet, Meta, Microsoft and Oracle in 2025, versus an average near \$28 billion a year in 2020–24 (BofA Securities, via Reuters, 15 January 2026). Full recourse to diversified franchises, with low net leverage and high interest coverage at most issuers. The structural point — the parent is the best collateral in the stack — is not a view on value: at least one issuer's debt has already repriced sharply (the monitoring section below), and issuer selection inside this layer is its own decision. The strain here is supply more than solvency — although supply itself is starting to matter.

2. Sponsor special-purpose vehicles. The template is Meta's Hyperion campus. In October 2025 a vehicle called Beignet Investor LLC — 80% owned by Blue Owl funds, 20% by Meta — issued \$27.3 billion of bonds, the largest single US corporate bond sale on record, arranged by Morgan Stanley with roughly \$2.5 billion of equity beneath the debt (Reuters, 16 and 21 October 2025; Financial Times, 30 October 2025). Meta is not on the hook for the bonds. What supports them is Meta's commitment to lease the campus for twenty years from completion, to bear cost overruns beyond 105% of budget, and a residual value guarantee. This is real protection — but it is a lease commitment to a vehicle, not a parent guarantee of the debt, and the difference will matter exactly in the scenario where it is needed.

3. Neocloud vehicle debt. The clearest case is CoreWeave, the largest of the AI-only cloud operators. Total debt reached \$35.6 billion by 30 June 2026, up from \$11.2 billion a year earlier; net interest expense was \$640 million in the second quarter, about 25% of revenue, guided to \$860–940 million for the third quarter (company releases and 10-Q, Q2 2026). Its March 2026 facility is the landmark: an \$8.5 billion delayed-draw term loan, the first investment-grade rated GPU-backed financing (A3 Moody's / A(low) DBRS), priced at SOFR + 225 basis points floating and about 5.9% fixed, non-recourse to the parent, maturing March 2032 (company announcement and Moody's, 31 March

2026). What secured that rating was not the hardware. It was the assignment of a six-year, fixed-payment, take-or-pay master services agreement with Meta — a contract that cannot be terminated for convenience — plus a first lien on the Nvidia GB300 servers and the data centre leases.

4. Vendor-arranged financing. The newest and least transparent layer. Broadcom's commitment to lend Anthropic up to \$42 billion against its five-year chip lease is public record, disclosed in Anthropic's own listing prospectus (CNBC, 1 October 2026). The tranching around it is not: a package reported at roughly \$60 billion — the \$42 billion syndicating as senior-secured Class A debt, plus an \$18 billion junior tranche led by Blackstone, with the notes reportedly convertible into Anthropic equity — rests on Bloomberg and CNBC reporting that Broadcom has declined to confirm (October 2026). The \$42 billion is announced; the \$18 billion is reported, and should be labelled as such. Nvidia has gone further, announcing partnerships with Apollo, BlackRock, Blackstone, Brookfield, Goldman Sachs and KKR intended to mobilise more than \$500 billion of third-party capital for AI infrastructure over time, in structures described as partially backstopped by Nvidia (Nvidia announcement, 10 August 2026; CNBC, 17 August 2026). The vendor's backstop is capped and partial. The buyer of the junior tranche is taking first-loss risk on the build itself.

5. Securitisation. Data-centre ABS and CMBS outstanding reached roughly \$61 billion by mid-2026, from about \$4 billion in 2020 (Barclays Research, via the Structured Finance Association, July 2026). On 29 July 2026, SEC staff guidance determined that qualifying data-centre platform securitisations are not asset-backed securities under the Exchange Act, removing risk-retention and disclosure obligations from the fastest-growing part of the stack (CNBC, 17 August 2026). Whatever the legal merits, the practical effect is less disclosure at the point in the cycle where a prudent holder would want more.

Two numbers frame the scale of the shift. Morgan Stanley's published framework puts the external funding requirement for 2025–28 at about \$1.5 trillion — roughly \$800 billion of it private credit, \$200 billion public bonds, \$150 billion securitisation, the rest equity and vendor capital. The average dollar of the build is still roughly half funded by operating cash flow. The marginal dollar is not — and credit cycles are set at the margin.

What the lender actually owns: the contract, not the chip

The cleanest evidence in this market is that the same operator borrows at about 225 basis points over the floating benchmark when a strong customer contract is attached, and at 450–550 basis points when the counterparty is weaker — using substantially the same hardware. The hardware is constant; the spread moves with the contract. The processors are not the collateral in any meaningful sense. They are the physical anchor that makes a contracted cash-flow loan “secured” rather than unsecured, and the recovery backstop if the contract fails.

The repricing of this lending tells the same story. The 2023 vintage — CoreWeave's \$2.3 billion facility led by Magnetar and Blackstone — priced at a cost consistent with mid-teens all-in; the

company's oldest term loan still carries a 15% effective rate (company filings, Q2 2026). By March 2026 the same business model, with the same depreciating collateral, borrowed at 225 basis points over SOFR with an investment-grade rating. Nothing about the chips improved in between. What changed was the contract attached to the loan.

So the underwriting test for any processor-backed paper is three questions, and all three are answerable from public documents:

- 1. Who is the offtaker?** An investment-grade platform, or a loss-making lab funded by its own suppliers?
- 2. Is the contract take-or-pay?** Fixed payments independent of usage, not terminable for convenience — or an arrangement that evaporates with the customer's funding round?
- 3. Does the loan amortise to zero before the contract ends?** CoreWeave's DDTL 4.0 is built to. Structures that rely on a terminal residual value for the chips are making a hardware bet dressed as a credit bet.

If all three answers are good, the chip barely matters. If any is weak, the chip is the whole investment — and the chip is a depreciating electronic good.

When it breaks: three scenarios

These are not alternative futures for one market. In a downturn all three happen at once, at different entities. The weights are conditional — they assume a material downturn in the capital cycle has already arrived — and they are judgement, not market-implied.

Scenario	Weight	First marker
1 — Equity destroyed, debt pays	55%	Capital-expenditure guidance cut while revenue guidance is held
2 — Debt and equity destroyed	15%	A missed lease payment at a named single-tenant campus
3 — Debt impaired, equity survives	30%	A sponsor declining to top up collateral at a vehicle

Scenario 1 — equity destroyed, debt pays (conditional weight 55%). The revenue ramp disappoints and returns on capital fall below the cost of capital. Platform equities de-rate 40–50%; parent debt is money-good, spread-widened. This is the scenario the market is positioned for, and it describes the five large platforms. First marker: capital-expenditure guidance cut while revenue guidance is held.

Scenario 2 — debt and equity destroyed (15%). A counterparty default cascades into collateral that cannot be re-let. A frontier lab or single large offtaker stops paying; the neocloud loses the contract; the servers come back to lenders whose recovery is set by the resale value of used chips, not par. First marker: a missed lease payment at a named single-tenant campus.

Scenario 3 — debt impaired, equity survives (30%). A sponsor declines to support a non-recourse vehicle it is not obliged to support. The vehicle's lenders are impaired; the parent's equity and bonds

are unaffected. This is the scenario the structures were built to produce — that is what non-recourse means — and in our judgement the most likely first event, a statement about sequence rather than total probability. First marker: a sponsor declining to top up collateral at a vehicle.

Scenario 3 is also the most mispriced, because one instrument can carry an investment-grade rating at the vehicle and sit inside a portfolio whose owner believes it holds hyperscaler credit. The rating is on the take-or-pay contract, not on the sponsor. In scenario 3 those two labels diverge completely.

The other side: why this can still work

The honest counterargument deserves more than a paragraph, because much of it is right.

The platforms can afford the build. True. Net leverage at the large platforms is low, interest coverage is in the tens, and the franchises generate cash whether or not AI revenue arrives. The Amazon playbook — years of capex before the tap is turned on — is a fair description of what the top tier is doing. Our answer is not that the playbook fails. It is that Amazon was financed by its own working capital and its assets lasted thirty years, while the margin of this complex is financed by credit against assets that last perhaps five. The strategy can be right for the parent and wrong for the marginal lender at the same time.

The contracts are real. Also true, and it is the strongest point. A six-year take-or-pay agreement with an investment-grade platform, not terminable for convenience, is genuine protection, and it is why the March 2026 facility deserved its rating. CoreWeave's revenue backlog — about \$104 billion at mid-2026 — is roughly three times its debt. If the offtakers pay, the whole stack holds. Our point is that the stack is the contracts: the debt is no longer a claim on a diversified business but on a small set of named counterparties, several of which are themselves raising money to pay. Concentration is the risk, and it is underwritten, not hidden.

The structures carry real protections. Completion support, scheduled amortisation, reserve accounts, assigned contracts and, in the March 2026 facility, a limited parent guarantee on installation and performance obligations. The senior layers of the better deals are priced tight because those protections are genuine. Our concern sits with the junior and residual layers, and with vehicles where they are absent.

Refinancing risk cuts both ways. Rising order-book cover and falling spreads would undermine the thesis, and for most of 2025 they did. Weights on the bear case should be held with the same discipline as any other position.

We ask the reader to hold the counterargument and the observation together: protection that is real in the ordinary case can still be mispriced for the case it was designed around.

What would change our mind

A thesis that forbids nothing is not a thesis. We track two observables, both disclosed quarterly, neither requiring a forecast:

1. AI capex as a share of operating cash flow at the large platforms. If it stabilises or falls while revenue grows, the build is becoming self-funding and the financing thesis weakens. If it keeps rising with debt issuance appearing at the margin, the treadmill is accelerating.

2. Debt issuance at the margin. The 2026 run-rate is the forecast variable. Morgan Stanley expected issuance to ramp in the second half of 2026; if it instead stalls while capex guidance holds, the funding gap is being closed some other way — or not being closed.

The credit market itself is now a third observable, and it has begun to move. Oracle's five-year credit default swap spread closed at a record 288 basis points on 15 October 2026, with its bonds trading near the edge of investment grade (press reports, 15–19 October 2026). CoreWeave's swaps topped 1,000 basis points in the same week; its equity fell 25% in the week to 16 October and yields on its 2031 bonds reached about 15.8% (market reports, October 2026). Oracle's free cash flow was negative \$23.7 billion in fiscal 2026 against \$55.7 billion of capital spending, with fiscal 2027 capex guided as high as \$95 billion (company results, June 2026). None of this is scenario 2. It is the credit-market expression of the funding question — measurable weekly, and worth more than any opinion, including ours.

Our confidence in the core claim would be reduced by: falling capex-to-cash-flow ratios at the platforms; sustained tightening, not widening, of vehicle-level spreads through a period of equity volatility; and amortisation structures that retire debt well inside contract terms becoming the norm rather than the exception.

What it means in practice

Three working consequences, offered as a worked example of the method rather than advice to any reader.

1. Run the look-through on the credit leg, not just the equity leg. Any private-credit, business-development-company or insurance-linked sleeve should be screened for data-centre, neocloud and processor-collateralised paper, with each position answering the three underwriting questions by name.

2. Label holdings by the entity that actually owes the money. An investment-grade rating on a vehicle whose oftaker is a platform is a rating on the take-or-pay, not on the sponsor. The two diverge precisely in the scenario that matters.

3. Respect the constraint layer. If one owns the build at all, the better-owned expression is the layer with the longest replacement cycle — power equipment and grid, where lead times are measured in years — rather than the silicon layer the financing is written against. That is a positioning statement about where the rent migrates, not a forecast of who wins.

Sources and attribution

This paper restates analysis developed in *The Big Repricing* (Widjaja and Lim, First Edition, October 2026; US copyright registration pending), Chapter 18 and Q85–Q89, and updates it to 28 October 2026. Figures and their sources, with links current as of 28 October 2026:

Morgan Stanley AI debt issuance forecast and tracker (\$570 billion for 2026; \$236 billion priced by 31 May; \$1.5 trillion 2025–28 external funding framework): Reuters, 10 June 2026; Morgan Stanley, *Thoughts on the Market*, June 2026.

Hyperscaler issuance (\$121 billion in 2025; \$28 billion 2020–24 average), BofA Securities: Reuters, 15 January 2026.

Meta Hyperion / Beignet Investor structure: Reuters, 16 October 2025; Reuters, 21 October 2025; Financial Times, 30 October 2025; Meta announcement, 21 October 2025.

CoreWeave DDTL 4.0 terms: CoreWeave announcement, 31 March 2026; Moody's rating action, 31 March 2026; Reuters, 31 March 2026.

CoreWeave debt and interest (\$35.6 billion; \$640 million Q2 interest; Q3 guidance): CoreWeave Q2 2026 results and Form 10-Q; analysis with filing references at Yield Theory, October 2026 and The Motley Fool, 1 September 2026.

Broadcom–Anthropic financing: lending commitment of up to \$42 billion disclosed in Anthropic's listing prospectus (CNBC, 1 October 2026); the ~\$60 billion package structure — \$42 billion senior-secured Class A, \$18 billion junior led by Blackstone, reported conversion feature — Bloomberg and Yahoo Finance/CNBC reports, October 2026; Broadcom declined to comment.

Nvidia financing partnerships: Nvidia announcement, 10 August 2026; CNBC, 17 August 2026.

Oracle fiscal 2026 results and guidance (free cash flow ~\$23.7 billion; capex \$55.7 billion; fiscal 2027 capex guided up to \$95 billion): Oracle results, March and June 2026; Reuters, 10 June 2026; Fortune, 10 March 2026.

Credit market readings, October 2026 (Oracle five-year CDS record 288bp; CoreWeave swaps above 1,000bp; CoreWeave equity and 2031 bond yields): Securitas Global, 15 October 2026; CNBC, 19 October 2026; Yield Theory, October 2026.

Data-centre securitisation outstanding (\$61 billion mid-2026, from \$4 billion in 2020): Structured Finance Association, citing Barclays Research, July 2026; Morningstar DBRS, 27 October 2026.

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