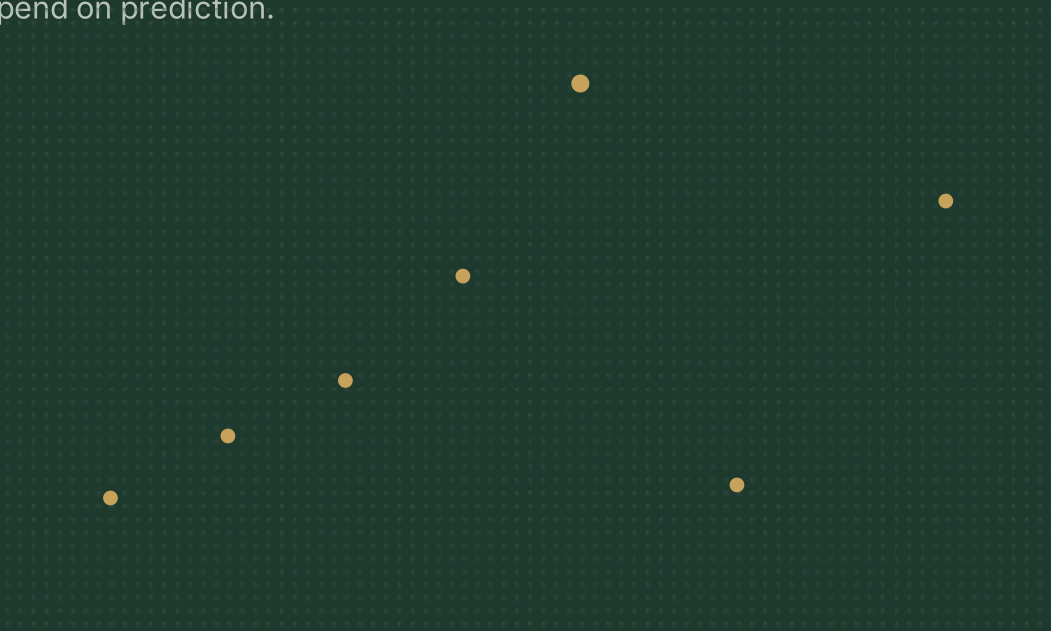
&together

AI might change the world. *That still doesn't tell us how to invest.*

What the dot-com era can teach us about market corrections, future hyperscalers and building financial plans that do not depend on prediction.



The internet changed the world. An investor who predicted that would have been completely right — and it still would not have told them what to buy.

It was the late 1990s and I was ecstatic about the new technology in our house.

A tiny PC, MSN Messenger, AOL and a dial-up modem.

The moment I turned the screen on, my mind was blown. Suddenly I could message my friends, use emojis and have whole conversations online, rather than painstakingly typing everything into my ancient Nokia.

At the time, the internet was moving from something niche and slightly obscure into something that looked capable of reshaping everyday life. People were beginning to shop online, businesses were building websites, search engines were competing to organise an exploding amount of information and investors were starting to realise that an entirely new economic infrastructure was being built in front of them.

With hindsight, the big call looks remarkably easy: the internet was going to change the world.

Everyone could see it.
No one knew quite how.

That pattern is worth remembering because we see it repeatedly in markets. A new technology emerges, excitement builds around what it might make possible, capital floods towards it and valuations can become increasingly difficult to justify using the old rules. Eventually markets adjust — sometimes violently — although nobody reliably knows when.

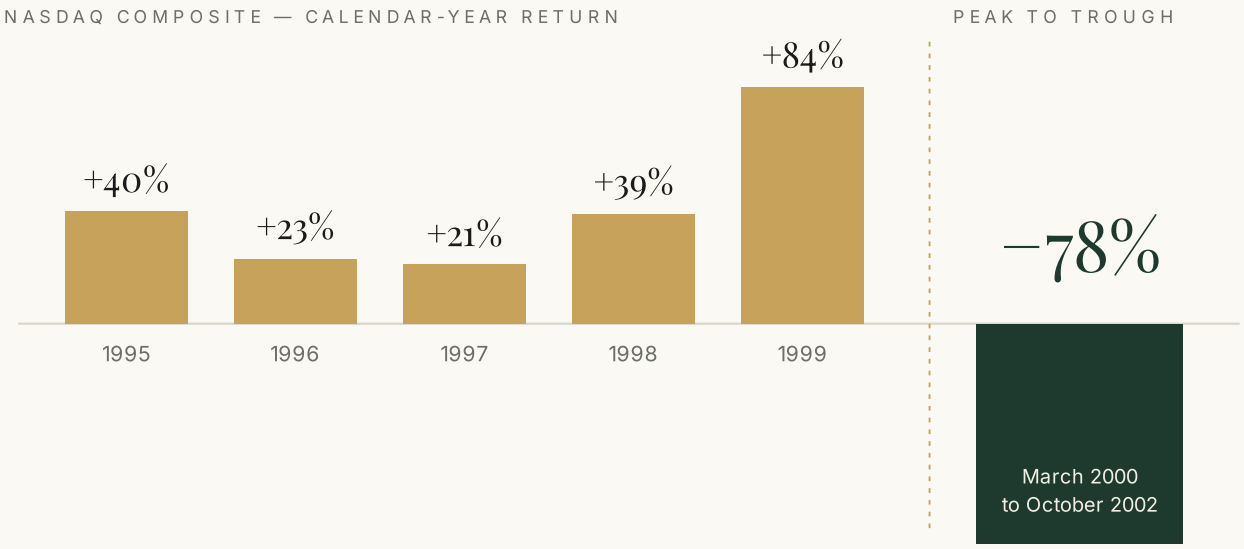
And yet, from the wreckage of some of these periods, genuinely extraordinary businesses can emerge and go on to produce returns that would have seemed almost unimaginable at the beginning.

Past performance is not a reliable indicator of future returns. Investments can fall as well as rise and investors may get back less than they invested.

The dot-com era is perhaps the clearest example.

Five years of extraordinary gains before the fall.

Between 1995 and 1999, the Nasdaq rose every single calendar year. At any point during that journey an investor could quite reasonably have looked at valuations, concluded that the market had become detached from reality and sold.



Nasdaq Composite calendar-year returns 1995–1999 and peak-to-trough decline March 2000 – October 2002. Public market history sources; figures rounded and approximate.

THE LESSON

Being right about a bubble is not the same as knowing when it will burst.

Eventually, the sceptics would have been proved right. The Nasdaq peaked in March 2000 and went on to lose almost 78% of its value before bottoming in October 2002. Many individual internet companies disappeared altogether.

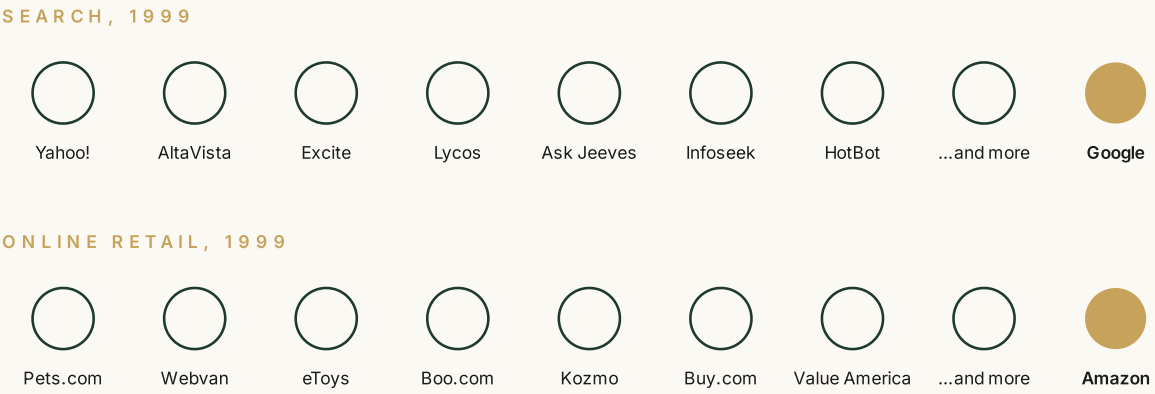
But being right about the bubble was only half the problem. You also had to be right about when it would burst. An investor who decided things looked excessive in 1996, 1997 or even early 1999 could have missed some extraordinary returns before the eventual collapse.

Source: Nasdaq Composite, public market history; figures rounded.
Past performance is not a reliable indicator of future returns. Investments can fall as well as rise and investors may get back less than they invested.

With hindsight, Google and Amazon look obvious. They were not.

The more interesting story is what happened after the dust settled.

In the 1990s there wasn't simply Google. There was Yahoo!, AltaVista, Excite, Lycos and a long list of other search engines competing for dominance. Google had only been founded in 1998. Online retail was similar. There was enormous excitement about the potential for e-commerce, but there was no obvious way of knowing which businesses would survive long enough to capture it.



A selection of well-known contenders of the period, shown for illustration. Filled circles mark the businesses that went on to dominate their category. Looking forwards, investors were choosing from hundreds of plausible candidates.

> THE LESSON
>
> Finding the future hyperscaler is like finding a needle in a haystack.

31% p.a.

Amazon's nominal annualised return from its IPO in May 1997 to September 2026.

−95%

The fall in Amazon's share price between its dot-com peak and trough, 1999 to 2001.

An investor who somehow identified Amazon as an eventual hyperscaler has enjoyed an extraordinary outcome. That sounds obvious now. It absolutely was not at the time. And even picking the winner would not have been enough: an investor first had to own the right company, then watch almost its entire value disappear without selling.

Source: Amazon.com Inc. share price history; annualised return is nominal, in US dollars, from the May 1997 IPO to September 2026; figures rounded and approximate.
Past performance is not a reliable indicator of future returns. Investments can fall as well as rise and investors may get back less than they invested.

Four lessons from the last time a technology changed everything.

None of them requires a view on whether AI is a bubble.

01

Market adjustments happen.

They are a normal part of investing. The difficult bit is that nobody reliably knows when they will arrive, how deep they will be or what will cause them.

02

Finding future hyperscalers in advance is extraordinarily difficult.

Looking backwards, Amazon and Google appear almost inevitable. Looking forwards, investors were choosing from hundreds of plausible contenders.

03

Picking the wrong stocks can be incredibly costly.

Missing the small number of companies that ultimately create a disproportionate amount of market wealth can significantly reduce returns. Broad diversification reduces the need to identify those companies in advance.

04

Even picking the winner is not enough.

Investors still have to remain invested through substantial volatility. Amazon's fall of roughly 95% is an extreme illustration, but significant falls are part of equity investing — including for ultimately successful businesses.

Which brings us back to today. The Bank of England has raised concerns about elevated valuations, market concentration and the increasing financial links between companies involved in AI. Perhaps enthusiasm has run too far. Perhaps a meaningful correction lies ahead. Or perhaps AI ultimately creates productivity gains and business models far beyond what we can imagine today. We can have views on all of those possibilities.

OUR VIEW

Our clients' financial futures should not depend on us getting the answer right.

Past performance is not a reliable indicator of future returns. Investments can fall as well as rise and investors may get back less than they invested.

So what do we actually do differently?

We start with the client, not the market.

The objective is not to construct a portfolio that never falls. Markets will fall again at some point. The objective is to understand whether, when they do, the financial plan can still work. At &together, we start by building a bespoke financial plan around what someone actually wants their money to achieve. We then model that plan across different scenarios and stress-test it against difficult market environments.

STRESS-TESTED AGAINST

- Strong markets
- Ordinary markets
- Recession
- Major equity correction
- Inflation shock
- Prolonged weak returns

> OUR PRINCIPLE
>
> We cannot control which market environment arrives. We can design a plan that is robust across many of them.

Can the client still retire when they want to? Can they still support their children, buy the house, travel, reduce their working hours or leave the legacy they intended? Do they have enough liquidity that they are not forced to sell investments during a difficult market? Are they taking enough risk to achieve their objectives without taking risk they simply do not need?

That is why diversification, staying invested and evidence-based investing sit at the heart of our approach.

A globally diversified portfolio

means we do not have to identify the next Amazon or Google in advance. If genuinely extraordinary companies emerge, the market can increasingly capture their success.

Staying invested

means we are not constantly trying to decide whether today is the moment to get out — and then facing the even harder question of when to get back in.

Past performance is not a reliable indicator of future returns. Investments can fall as well as rise and investors may get back less than they invested. This document is for information only and does not constitute personal advice.

&together

Markets will fall again.

We do not know when.
We do not know which companies will become the next Amazon or Google.
We do not know whether today's AI leaders will dominate the next twenty years.

Fortunately, a good financial plan should not require us to know.

Our job is to get clients from where they are today to where they want to be — without requiring us to predict markets, find the next hyperscaler or successfully jump in and out of every correction along the way.

That is what a good investment philosophy — and a good financial plan — should do.

Investing, together.

&together Financial Planning is authorised and regulated by the Financial Conduct Authority. Past performance is not a reliable indicator of future returns. Investments can fall as well as rise and investors may get back less than they invested. This document is for information only and does not constitute personal advice. Nasdaq and Amazon figures from public market history sources; annualised returns are nominal; all figures rounded and approximate. Amazon annualised return measured from the May 1997 IPO to September 2026.