PEREGRINATION

SECOND QUARTER AUGUST 2026

PEREGRINE
WEALTH

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THE CURRENT MARKET PARADOX

George Herman
Chief Investment Officer

If the past quarter had a defining character, it was not a focused direction but rather uncertain oscillation. Markets moved repeatedly between constructive and cautious interpretations of the same underlying reality. On the one side of the pendulum was resilient global growth, firm consumption, easing inflation, and exceptionally strong earnings. On the other side we saw persistent inflation, the hesitation of central banks, and the ever-present risk that geopolitics might yet reassert itself through the oil price. That tension did not only shape the quarter, it also explains why markets, at times, appeared convinced of two contradictory outcomes at once.

What we did see was that the global economic backdrop remained firmer than expected at the start of the war. Consumption expenditure continued to hold up, economic growth proved more durable than many had anticipated, and inflation increasingly appeared to be peaking and turning over. This has brought central banks to a precipice. They are close enough to easing policy for markets to take encouragement, but not quite close enough to remove doubt altogether. At the same time, equity earnings remained unprecedently strong, led by the sheer scale of the tech giant’s capital expenditure, which is required to sustain the artificial intelligence build-out. That strength has mattered. It has provided markets with something more durable than mere sentiment.

And yet, the quarter also reminded investors that economic improvement is not the same as a post-war resolution. Inflation may be turning a corner, but it is not yet comfortably behind us. Growth is holding steady, but not without its sustainability being questioned. Central banks are nearing a pivot, but they are still constrained by the risk of inflation being more sticky than expected. Recognising this, the market’s oscillation was understandable. It was not simply economic noise. It was the consequence of an environment that continues to support risk assets, while withholding clarity that would make investors feel secure.

At Peregrine Wealth Limited (PWL), our focus remains on the medium term, and from that vantage point the corporate earnings outlook matters more than the current discomfort of sticky inflation and its immediate ramifications. Strong company earnings do not eliminate risk, but they do provide a more reliable foundation for investment returns than the market’s shifting assumptions about the exact timing of policy easing. Our interpretation, therefore, is that the quarter should be read less as a warning against participation and more as a reminder to distinguish between transient anxiety and durable fundamental support.

The principal risk to this view is clear. If the Strait of Hormuz remains effectively closed, and oil supply materially impeded for a prolonged period, the inflation, monetary and growth outlook will worsen meaningfully. That will have direct consequences for interest rates, market sentiment and asset valuations, and will justify a much more cautious reading of the opportunities available to us. On the positive side, a final resolution to the Middle East war will improve the outlook meaningfully, although for now, that remains a low-probability event.

For investors, the important point is that binary markets do not require binary thinking. They require patience, perspective, and a willingness to look beyond immediate noise to the drivers of long-term return. That remains the discipline that PWL brings to its investment philosophy.

I hope you enjoy this edition of *Peregrination*.

ECONOMIC RESILIENCE DESPITE GEOPOLITICAL FRAGILITY

Maarten Ackerman
Chief Economist

Since our last edition of *Peregrination*, markets, policymakers, and investors have been forced to navigate the economic fallout of the conflict in the Middle East. Nevertheless, the global economy has demonstrated remarkable resilience in the face of a fragile geopolitical landscape.

The good news, however, is that while United States (US)-Iran tensions have re-escalated, both the US and Iran still want a resolution to the conflict, albeit behind closed doors. In the US, politics is playing a major role in accelerating efforts toward a diplomatic resolution as consumer confidence has seen a rapid decline and the voter base is not content with all of the decisions coming out of the White House. Iran, on the other hand, also faces its own economic pressures, with trade restrictions, limited access to international markets, and shortages of hard currency, all creating strong incentives for rapid normalisation. As both sides stand to benefit from a resolution, markets reflect a belief that a negotiated agreement is still achievable.

INFLATION RISK REMAINS ELEVATED

While the initial fear of the worst-case scenario has not materialised, infrastructure damage, disrupted supply chains, and logistical bottlenecks mean an economic normalisation will likely take many months. We describe this as a “protracted disruption,” which assumes ongoing economic headwinds, weaker growth, and elevated inflation over an extended period.

Even if oil prices ease, inflationary pressures will remain stubborn for several reasons.

- Rising freight costs and supply constraints as freight networks have not fully normalised.
- Middle East energy infrastructure rebuilding costs will continue to filter through the global economy.
- Knock-on effects are beginning to emerge in agriculture and food production, with fertiliser shortages and supply chain disruptions placing upward pressure on food prices.
- Concerns surrounding the El Niño climate phenomenon - which may extend into 2027 - have heightened fears of reduced agricultural output and further food inflation, globally.

Before the conflict began, many analysts anticipated multiple interest rate cuts across major economies. Those expectations U-turned after the outbreak of hostilities. The consensus view now is that rate cuts have been put on hold. The debate among central bankers is no longer about how quickly rates will fall, but whether additional hikes may still be necessary before inflation returns convincingly toward target levels.

FROM A J-SHAPE TO A K-SHAPE RECOVERY

When the Middle East tension started, we expected a J-shape global economic recovery, with growth falling by about 0.5% before slowly moving back to capacity. Three months later, and the global growth outlook has improved modestly compared with the worst-case assumptions made earlier in the year. If the US and Iran can reach an agreement to end the war, there is hope that global growth could turn out more resilient and that the J-shape might be much less severe. This scenario presents a far more favourable outcome than initially feared, and the global economy will avoid the severe disruptions that many worried could trigger a much deeper slowdown.

What must be noted, however, is that while the global growth outlook has stabilised, not all regions are positioned equally. Current growth patterns among developed markets increasingly resemble a K-shaped recovery. The US continues to move upward, while Europe, the United Kingdom (UK), and Japan struggle to achieve meaningful growth. Several factors explain America's relative strength to its peers.

THE US: BUOYED BY TECH INVESTMENT

The US economy has been supported by massive investments in technology, artificial intelligence, and digital infrastructure, which are generating substantial productivity gains. This focus on tech is supporting corporate profitability and helping sustain economic growth while underpinning the equity market as well.

However, despite the resilience of the US economy - driven by tech and high-income consumers - US voters have become increasingly dissatisfied with rising inflation and living costs. This has resulted in consumer confidence weakening significantly particularly amongst citizens in the lower income bracket who feel the impact of inflation and higher oil prices more keenly. The US is also seeing declining savings rates, which is a further indication of the pressure on lower-income consumers, who are tapping into their savings.

For US President Donald Trump this political pressure is mounting ahead of mid-term elections in November, forcing policymakers to focus more heavily on domestic priorities such as housing affordability and consumer welfare. In fact, in a rare moment of political cohesion, the Bipartisan Housing Bill has been enacted, which aims to make new housing more affordable for Americans.

Given the US's enduring competitive advantages - particularly the significant productivity gains driven by sustained investment in technology and innovation - the US economy continues to command a growth premium relative to its developed-market peers. This stronger growth outlook should, over time, support the dollar's relative strength against other major currencies.

While several structural trends are creating pressure on the dollar, including efforts by the BRICS bloc to increase trade in local currencies and reduce reliance on the greenback, these developments should be viewed in context. As long as the US maintains a meaningful economic and productivity advantage over its peers, the notion that the dollar is at risk of losing its dominant role in global trade and finance appears overstated. The dollar's status is underpinned not only by the size and resilience of the US economy, but also by the depth of its financial markets, institutional strength, and continued leadership in innovation. Consequently, concerns about an imminent erosion of the dollar's reserve currency status are arguably unwarranted.

We don't see the US's tech boom petering out any time soon. These companies are all extremely profitable, their future capex plans are very strong, and they are being fuelled by global capital. This means that the US economy and the dollar will remain on the front foot for the foreseeable future.

In this climate, we expect the US to continue growing slightly above capacity, at about 2.2% per annum, which is well ahead of its developed market peers.

EUROPE AND UK: HIT HARD BY INFLATED ENERGY COSTS

Europe remains particularly vulnerable. Even before the current conflict, many European economies were grappling with deep-seated structural challenges, including ageing populations, weaker productivity growth, rising social tensions, and increasing political fragmentation. These pressures have been reflected in the growing appeal of nationalist and Eurosceptic movements, persistent wage stagnation in several economies, and a worsening housing affordability crisis. At the same time, European manufacturers are facing intensifying competition from lower-cost Chinese imports, particularly in the electric vehicle sector, placing additional strain on the region's industrial base and economic growth prospects.

So, from a growth perspective, they are coming off a very low base that has nothing to do with the war. The disruption of energy supplies has only intensified these weaknesses as the region has a heavy dependence on imported energy.

Over the quarter, numerous ships carrying oil and gas, which were originally destined for Europe, were redirected elsewhere, like Asia and Australia, forcing European nations to seek alternative suppliers. Interestingly, the US benefited significantly from this development. Having achieved energy self-sufficiency, the US was able to increase exports of oil and refined products, including jet fuel, to European markets. While this has contributed to the US economy, it has helped alleviate some of Europe's energy concerns.

Given its challenges, if the war continues indefinitely, Europe would be the first major economy to face a recession. As it stands, Europe's growth trajectory remains subdued, coming from below 1% growth. We expect that it may only average around 1% over the next three years.

The UK is facing many of the same headwinds as its European neighbours. While continental Europe continues to grapple with rising euroscepticism and political fragmentation, the UK is still contending with the economic consequences of Brexit a decade on. Many measures of economic performance suggest that growth, investment, trade, and productivity have been weaker than they might otherwise have been, adding to the country's long-term structural challenges.

Political instability has compounded these difficulties. Since the Brexit referendum, the UK has seen a succession of prime ministers, with its seventh leader in just over a decade, highlighting the challenges policymakers face in delivering consistent long-term reforms. Together, subdued economic performance, political uncertainty, weak productivity growth, and ongoing fiscal pressures underscore the structural issues that continue to weigh on the UK's economic outlook.

UK growth is moving in tandem with the European Union, and we expect the country's economy to also average around 1% growth over the next three years.

CHINA: FACING STRUCTURAL CHALLENGES BEYOND THE CONFLICT

China continues to face a range of economic challenges, yet policymakers remain focused on preserving growth momentum and supporting long-term stability. The economy is contending with subdued consumer demand, ongoing structural adjustments, and a prolonged downturn in the property sector, which has historically been one of the country's most important engines of growth. Property investment remains under significant pressure, declining by approximately 24% year-on-year, reflecting weak confidence, excess housing supply, and tighter financing conditions. Despite these headwinds, authorities continue to deploy targeted policy measures aimed at stabilising activity, boosting domestic demand, and guiding the economy through a gradual transition towards a growth model, driven more by innovation and consumption.

In order to maintain its current growth outlook, China continues to rely heavily on exports. While a number of traditional exports are down, the current concentration lies in technology and vehicles - putting it at risk of increased vulnerability to external demand shocks. With China's trade with the US down, it has successfully redirected its trade toward other markets, and, as such, its exports to the rest of the world have more than offset the US declines.

As they look to the future, China's policymakers are increasingly focused on what has been termed the "Six Networks" strategy. Unlike previous growth models built around property and traditional infrastructure, the new approach emphasises technology-driven investment of up to 5% of GDP, which would include:

1. Data centres
2. Semiconductor manufacturing
3. Advanced communication networks
4. Digital infrastructure
5. Artificial intelligence capabilities
6. High-tech industrial expansion

These initiatives could generate significant investment demand, particularly for commodities such as copper and other industrial metals, but the deployment timing remains uncertain.

Currently our China growth outlook is around 4.25% which is slightly below consensus of 4.5%.

GLOBAL TRADE EVOLVING

Global trade trends are also shifting. While the US has started to pursue more protectionist policies, China has sought to strengthen international economic relationships and secure new markets. This shift is gradually reshaping global trade networks and could have significant long-term implications for economic influence and trade flows.

While the US was the dominant trading partner for most major economies in the early 2000s, that landscape has shifted significantly over the past two decades, with China now occupying that position for a growing number of countries. China's expanding economic footprint, extensive trade networks, and strategic investment initiatives have strengthened its influence across both developed and emerging markets.

An interesting reflection of this shift is that Chinese President Xi Jinping rarely travels abroad compared with many global leaders. Instead, an increasing number of heads of state and business leaders are making the journey to Beijing to strengthen diplomatic ties and secure trade and investment agreements. In many cases, these engagements now attract more attention than visits to Washington, underscoring China's growing role as a central hub in global trade and economic diplomacy.

While global trade has remained remarkably resilient, supported by countries diversifying their trading relationships and opening new markets, we did see some softness in trade volumes this quarter. Importantly, this slowdown appears to be less a consequence of US tariffs and more a reflection of logistical disruptions around the Strait of Hormuz.

At one point, nearly 3,000 vessels were delayed around the Strait, with approximately half carrying cargo valued at an estimated $125 billion. Given the Strait's critical role as one of the world's most important maritime trade routes, these disruptions inevitably affected the movement of goods and supply chains globally. As a result, the recent dip in trade activity is likely attributable to these temporary logistical bottlenecks rather than a deterioration in underlying global demand. Once shipping flows normalise, trade volumes should recover accordingly.

MANAGING YOUR WEALTH IN AN UNCERTAIN WORLD

From an investment perspective, Peregrine Wealth Investment Management will continue to do what it has been doing for the last 2 decades. In light of the hostilities in Iran, we have tempered our growth assumptions, but we are not making any aggressive adjustments to our investment allocation. Harold Strydom will discuss how this is expressed in our portfolio positioning in his article on our three-year High Conviction scenario.

ASSET VALUATION VIEWS

Harold Strydom
Investment Strategist

Scenario modelling has formed part of Peregrine Wealth's investment philosophy for over two decades, and it enables us to better understand potential market outcomes and construct stronger portfolios. The Peregrine Wealth Investment Management team has a core or "High Conviction" scenario based on a three-year view, which is expressed as macroeconomic and market assumptions, including economic growth, inflation, interest rates, price-earnings multiples, and credit spreads, to list a few. Based on these assumptions, our asset valuation models produce expected returns for various asset classes. This section is used to summarise our High Conviction view and the resulting asset signals.

HIGH CONVICTION SCENARIO: MEDIUM-TERM EXPECTED RETURNS

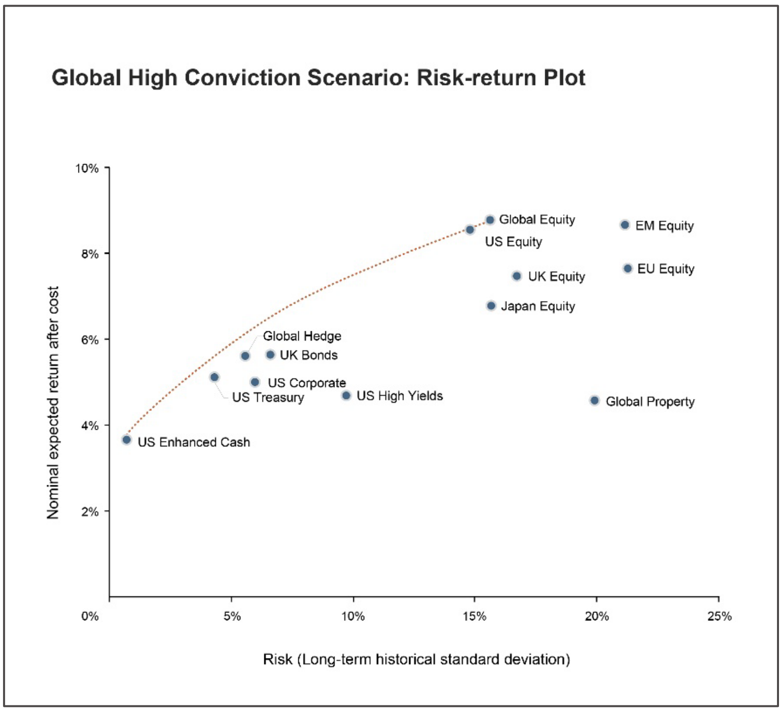
The global economy has navigated a period of heightened geopolitical uncertainty more effectively than many investors feared. Despite intermittent market volatility, our central expectation remains that global growth will remain close to long-term potential over the next three years. Inflation has moved somewhat higher in the near term, but is expected to moderate gradually over the projection horizon and converge towards central bank targets.

Central banks have adopted a more cautious tone in recent months as inflation has proven somewhat more persistent than expected. Market expectations for further policy tightening have increased in some regions, although our High Conviction scenario assumes the major central banks will remain on hold in the near term, with the Bank of Japan being the exception, where further hikes are expected. Government bond yields have moved higher and are above our fair value assumptions in most regions, supporting improved medium-term return expectations. Credit spreads remain near historically tight levels, reflecting resilient corporate fundamentals and generally healthy balance sheets.

The outlook for corporate earnings remains constructive. Recent earnings delivery has been robust and analysts continue to forecast strong profit growth over the coming years. The key question for investors is whether these elevated growth expectations can be sustained. While equity markets have de-rated on a forward earnings basis and valuations appear more reasonable than headline measures may suggest, our valuation framework assumes that strong earnings growth will need to materialise to justify current market levels. As a result, medium-term valuation signals across most equity markets have become more balanced.

The United Kingdom (UK) outlook remains soft in the near term, reflecting subdued economic growth and tight financial conditions. While inflation is expected to moderate over the medium term, volatility in energy and food prices is likely to result in a more uneven path back towards target. The Bank of England is expected to remain cautious as it balances slowing growth against lingering inflation risks. UK government bond yields remain elevated and above our fair value assumptions. Concerns around the fiscal outlook and government finances continue to place upward pressure on longer-dated gilt yields. UK equities continue to screen reasonably attractively on valuation metrics, with consensus forecasts expecting healthy earnings growth over the coming years. Overall, medium-term expected returns for UK assets remain neutral.

The chart below shows the three-year expected return versus the historical standard deviation of each asset class, based on our High Conviction scenario.

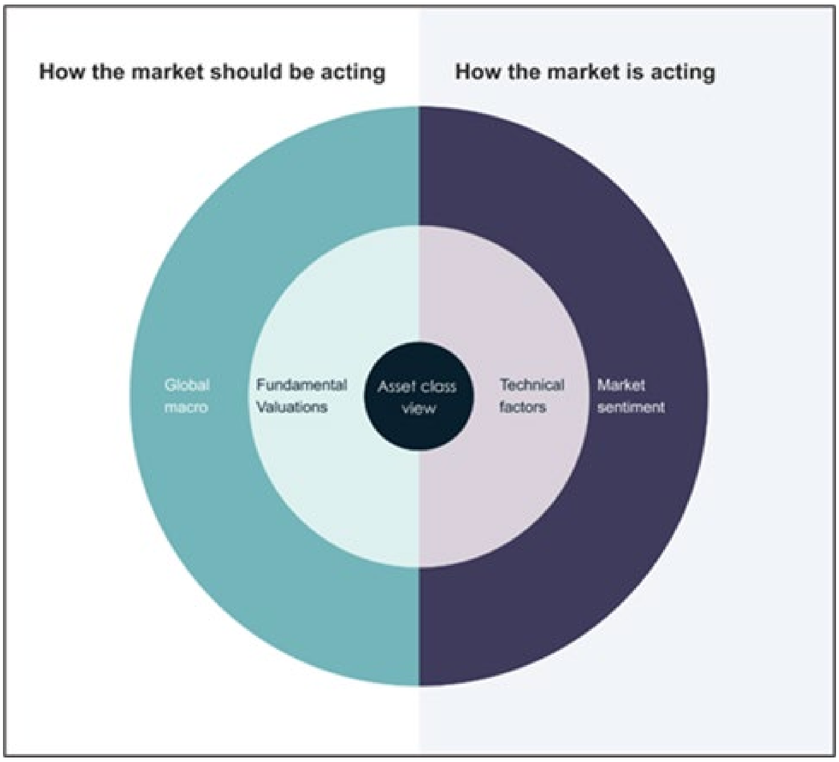


NEAR-TERM ASSET CLASS VIEWS

Our investment process is anchored by a High Conviction macroeconomic scenario and the corresponding expected returns for asset classes. This foundation helps us form expectations about how markets should behave. However, we are keenly aware that short-term market behaviour frequently deviates from these expectations. We have long recognised that medium-term, valuation-based signals are often poor guidance for short-term asset performance.

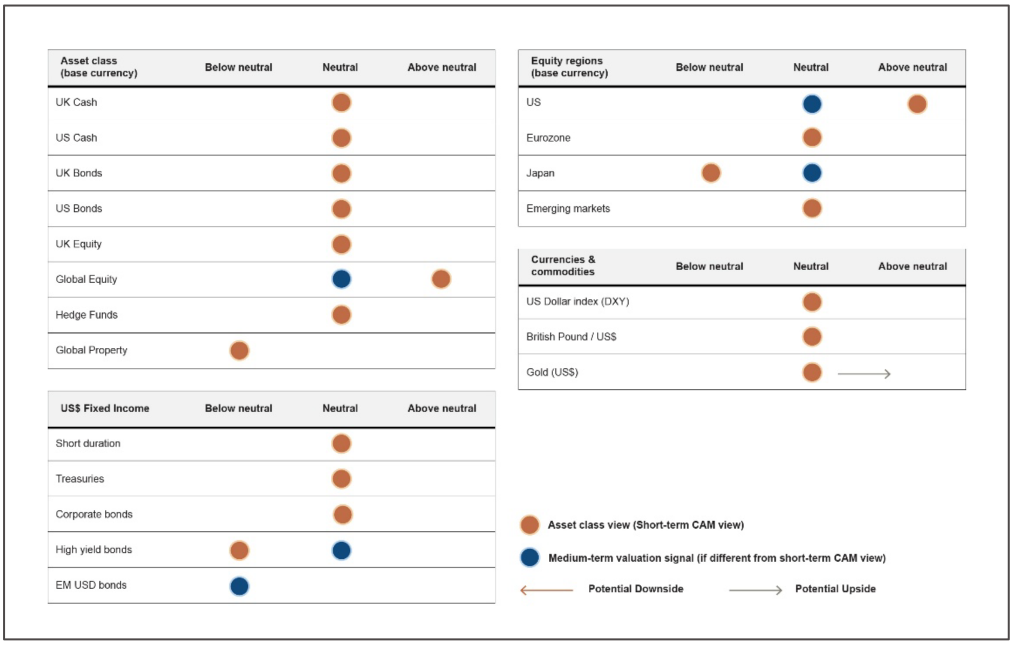
To address this, we've developed a range of tools and indicators to enhance our short-term analysis. These include a close examination of market dynamics, cross-asset correlations, and currency and commodity trends, and several other technical factors. These insights help us adapt our views and make more informed short-term decisions.

The diagram below gives a visual representation of how these two parts of the process play into each other.



In addition to our top-down (looking at the broader market) analysis, we integrate the bottom-up (company) insights provided by our analysts. Their detailed research on individual companies and sectors plays a crucial role in shaping our overall views. When bottom-up analysis reveals fundamentals that diverge from market signals – positive or negative – we take this into account in refining our positioning. This dynamic approach allows us to balance macroeconomic factors with granular insights, ensuring our investment decisions reflect both the broader market environment and underlying characteristics of individual assets.

Our latest asset class views are summarised below. The orange blocks represent the short-term views from the team, sometimes with an additional arrow if a Neutral view has more up or downside potential. Where the High Conviction scenario medium-term signals are different from the short-term views, it is indicated in blue. To determine the signal as Neutral or Above and Below, the model compares expected returns to what investors have historically required from these asset classes. For example, a Neutral Outlook implies a real expected return range of -0.5% to 1.5% for US Cash, 0.5% to 3.5% for US Bonds, and 3.5% to 8.5% for Global Equity. Views are expressed in the base currency of each asset class; currencies views are expressed separately.


Asset class (base currency)
Below neutral
Neutral
Above neutral
UK Cash
US Cash
UK Bonds
US Bonds
UK Equity
Global Equity
Hedge Funds
Global Property
US$ Fixed Income
Below neutral
Neutral
Above neutral
Short duration
Treasuries
Corporate bonds
High yield bonds
EM USD bonds
Equity regions (base currency)
Below neutral
Neutral
Above neutral
US
Eurozone
Japan
Emerging markets
Currencies & commodities
Below neutral
Neutral
Above neutral
US Dollar index (DXY)
British Pound / US$
Gold (US$)
Asset class view (Short-term CAM view)
Medium-term valuation signal (if different from short-term CAM view)
Potential Downside
Potential Upside

SPACEX: READY FOR LIFT-OFF?

Liam Roubach
Equity Analyst

Every so often a private company grows so large, that its eventual arrival on public markets forces the rest of us to recalibrate our sense of scale. SpaceX is that company. It was the biggest Initial Public Offering (IPO) in history at roughly $1.8 trillion and raised $85.7 billion.

To put that in perspective, no company in the top 100 global listings since 2000 has come close on offer size, and only a handful of state-scale enterprises approach it on market value, see Figure 1.

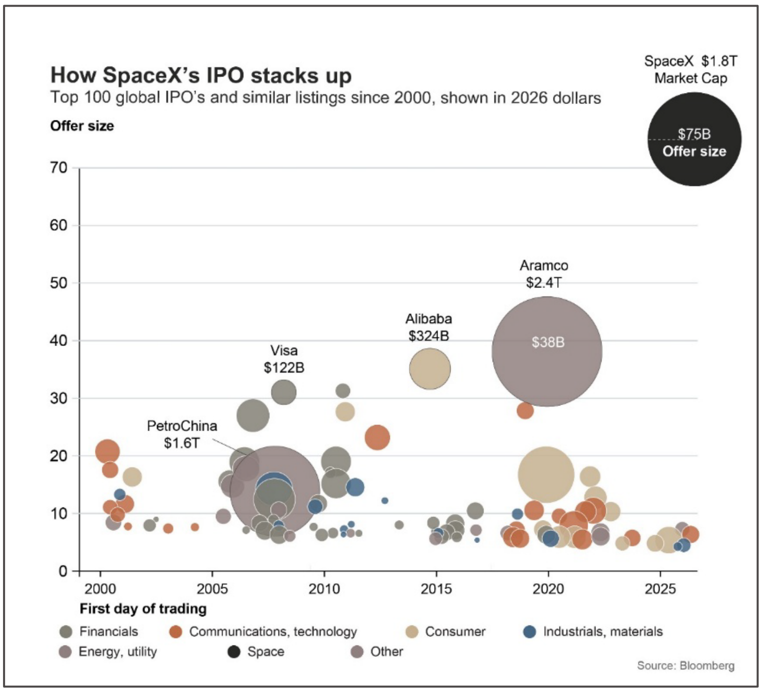


Figure 1: SpaceX IPO against similar listings since 2000

In this article we try to understand the potential size of SpaceX's total addressable market and what could drive value from here. It must be remembered that this record-breaking listing in itself is not an investment case, some of the largest IPOs in history have delivered lacklustre returns to shareholders in their early years. The IPO size only tells you that the market is aware of the potential, it does not tell you anything about the price you are paying.

The market has had to grapple with this notion, and, following the IPO, SpaceX shares surged more than 25% as investors priced in the company's long-term potential, before they fell almost 30% from their peak as investor expectations began to normalise.

A BRIEF HISTORY OF SPACEX

SpaceX may dominate headlines today, thanks in no small part to its outspoken founder, Elon Musk, but the company is far from an overnight success. Founded in 2002 after Musk invested $100 million of his own money, SpaceX set out with an ambitious goal - to dramatically reduce the cost of access to space. The early years were challenging, with three failed Falcon 1 launches bringing the company close to bankruptcy before a successful fourth launch in 2008 secured a crucial NASA contract.

Over the following decade, SpaceX transformed the economics of the launch industry through the development of reusable Falcon 9 rockets. By successfully landing a Falcon 9 booster in 2015, the company proved that orbital-class rockets could be reused economically. This dramatically reduced launch costs and established a structural cost advantage that its competitors have struggled to replicate.

SpaceX's lower cost-of-launch unlocked the company's next phase of growth. The Dragon spacecraft – a reuseable, capsule style craft – began transporting cargo, and later astronauts, to the International Space Station, while the company used this launch capability to deploy Starlink, now the world's largest satellite constellation and a rapidly growing global broadband network. Today, SpaceX is developing Starship, a fully reusable heavy-lift launch system that aims to reduce launch costs even further while supporting future missions to the Moon and Mars.

HOW SPACEX MAKES MONEY

Two and a half decades on, SpaceX has multiple avenues of growth and looks a lot different to its original operation. It is no longer simply a rocket company; it is a vertically integrated business, with three segments, which in 2025 generated $18.7 billion of revenue, growing at 33% per year. The structure allows its cheap-launch business to be subsidised by a high margin and cash generative connectivity business, which is SpaceX's crown jewel, accounting for most of the profits (EBITDA), see Figure 2.

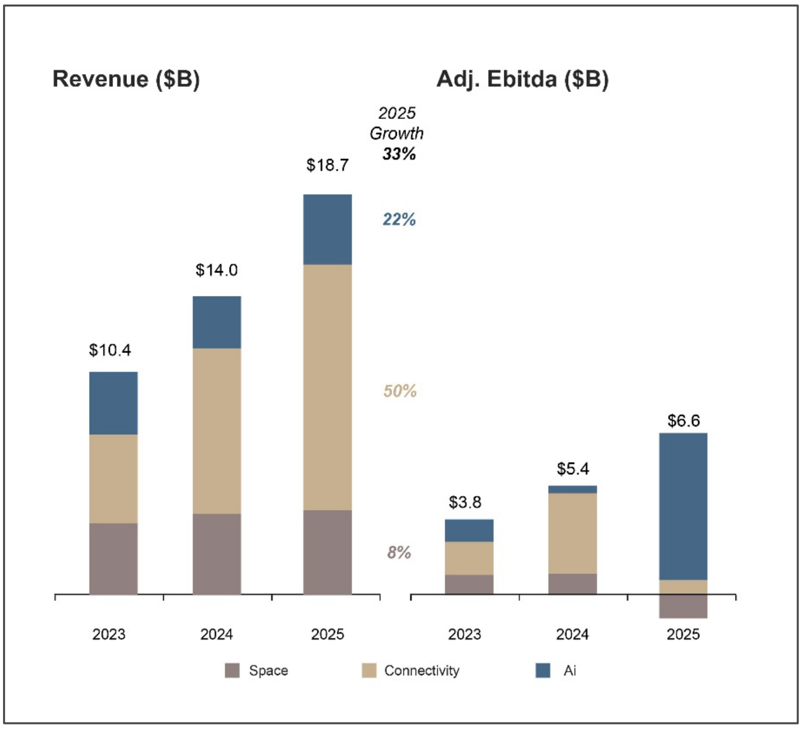


Figure 2: SpaceX revenue streams and profit streams (EBITDA)

Source: SpaceX Roadshow presentation 2026, Company filings

It is worth understanding each segment on its own terms, because they are at very different stages of maturity.

Connectivity (*Starlink*): Connectivity is the profit engine. Starlink sells internet services to homes, businesses, airlines, cruise ships, and governments. It generated $11.4 billion of revenue in 2025 (61% of group revenue), is highly profitable, with operating income of $4.4 billion, and is growing at over 120% a year, with its subscriber numbers doubling last year. A newer service, Starlink Mobile, connects ordinary mobile phones directly to satellites, allowing users to send messages and access basic data services, even in areas with no traditional cellular coverage. It already reaches 7.4 million devices across 30 countries and represents a genuinely new market.

Space (*Launch and Starship*): Launch is the backbone of SpaceX. Every Starlink satellite, direct-to-cell service, and future orbital infrastructure project depends on SpaceX being able to place payloads into orbit cheaply and reliably. Think of this segment as the infrastructure that makes everything else possible. The Launch business generated $4.1 billion of revenue in 2025 from 170 rocket launches with a mission success rate above 99%. It roughly breaks even because SpaceX ploughs its Launch profits into developing Starship, the next-generation rocket.

Artificial Intelligence *(xAI)*: xAI is SpaceX's newest segment and the company's largest growth bet. It combines the X platform (previously Twitter with roughly 550 million monthly users), Grok AI assistant (with 117 million monthly users), and two of the world's largest AI data centres. In 2025, the segment's revenue was $3.2 billion but the segment is loss-making because SpaceX is investing heavily into infrastructure, acquisitions and operations, with $12.7 billion of capital spending in 2025 alone. Importantly, the AI data centres have already attracted a blue-chip customer: Anthropic, a leading AI lab, which has agreed to pay SpaceX $1.25 billion per month for computing capacity through to May 2029. That's roughly $15 billion a year if it runs to term. The company has also signed a multi-year cloud and AI infrastructure agreement with Google, providing additional validation that external customers are willing to rent large-scale compute capacity (the total processing power, memory, and resources available in a digital system to execute software, crunch data, or run algorithms) from the platform.

In summary, investors can think of SpaceX as an internally funded launch and infrastructure platform that uses a low-cost launch capability to build and expand higher-margin connectivity and AI businesses. Currently, Starlink generates the cash flow, Launch provides the strategic infrastructure that enables future growth, and Starship represents the key source of long-term optionality. The investment case is therefore less about selling rockets and more about using cheaper access to space to create multiple future revenue streams across communications, defence and AI infrastructure.

FUTURE GROWTH STREAMS

One of the more striking aspects of the SpaceX investment case is the sheer size of the opportunity that SpaceX's management believes it is addressing. The company estimates its total addressable market at around $28.5 trillion. To put that into perspective, that is roughly the size of the United States (US) economy and larger than the combined GDP of China and Germany, see Figure 3. While that headline number deserves a healthy degree of scepticism, it highlights an important point.

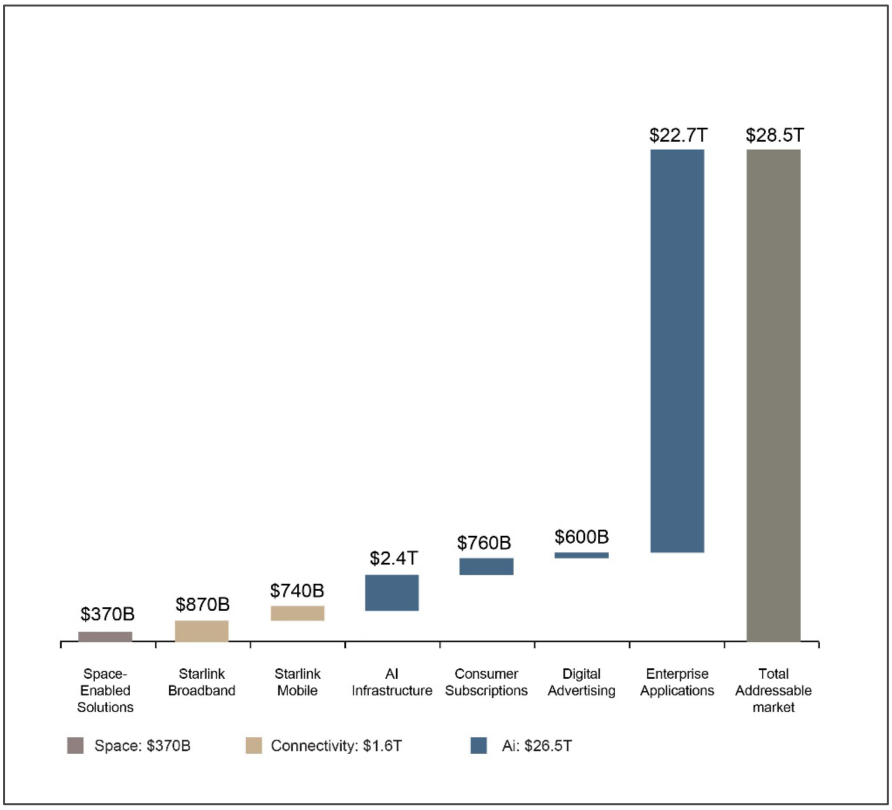


Figure 3: SpaceX growth outlook

Source: SpaceX S-1 filling

SpaceX's first growth engine is its space capability through Starship. Falcon 9 has already transformed the economics of space by making rockets reusable. Starship aims to repeat that step change. If successful, it should reduce launch costs by another order of magnitude while dramatically increasing payload capacity. Lower launch costs not only strengthen SpaceX's position in the launch market but also reduce the cost of building and expanding its own satellite network. In many ways, Starship is the enabling technology that unlocks much of the company's longer-term growth.

The second opportunity lies in scaling businesses that already exist today. The company’s connectivity business, Starlink, has grown into the world's largest satellite broadband network and is still in the early stages of penetrating a global connectivity market that serves billions of potential users. Beyond residential broadband, the business is expanding into direct-to-cell services, enterprise connectivity, aviation, maritime and government applications. As the subscriber base grows, Starlink has the potential to become a highly cash-generative software and infrastructure business that funds the next phase of SpaceX's expansion.

Beyond these businesses lies a much larger, but far more uncertain, opportunity set. SpaceX’s management believes that dramatically lower launch costs could make entirely new industries economically viable, ranging from space-based data centres and AI infrastructure to in-space manufacturing, lunar logistics and eventually human settlement beyond Earth. Many of these markets are unlikely to contribute meaningfully for years, and some may never materialise. Nevertheless, they represent valuable long-duration options that are difficult to replicate given SpaceX's unique combination of launch capability, satellite infrastructure and engineering expertise.

From an investment perspective, we think about SpaceX in three layers:

1. The Launch business provides a durable foundation with significant technological advantages.
2. Starlink is the company's primary value creation engine today, generating recurring, high-margin revenue from a rapidly expanding customer base.
3. The more ambitious projects, led by Starship, should be viewed as long-dated options that could substantially increase the company's addressable market if execution is successful. While these opportunities are difficult to value today, they help explain why investors are willing to assign such a premium valuation to SpaceX. Much of that valuation reflects the market's confidence in the company's and Musk’s ability to execute on its ambitious long-term roadmap.

MEASURING SPACEX’S VALUE

The biggest mistake investors can make is trying to fit SpaceX into a traditional industry classification. To label it as a rocket company or a telecommunications business would be inaccurate. Instead, SpaceX is best thought of as a vertically integrated infrastructure company built around one core capability, to dramatically reduce the cost of accessing space. Every reduction in launch costs not only improves the economics of the Launch business itself, but also lowers the cost of deploying satellites, expands the addressable market for Starlink and enables entirely new businesses that would otherwise be unprofitable.

This is what makes the investment case so unusual. The Launch business is no longer just a source of revenue; it has become the infrastructure that enables everything else. Rather than maximising profits from each individual launch, SpaceX increasingly uses its launch capability to build and operate its own businesses. Launches deploy Starlink satellites, support government missions, and in future could underpin entirely new markets in global connectivity, AI infrastructure and space-based services. The more launch costs fall, the more attractive each of these businesses becomes.

That makes Starship the single most important technology within the company. Starlink may be the profit engine today, but Starship is the platform that determines how many future profit engines can exist tomorrow. If Starship achieves the step-change in cost and launch cadence SpaceX management is targeting, it has the potential to unlock multiple new revenue streams simultaneously. If it falls short, many of those opportunities become significantly less valuable or are pushed much further into the future.

Therefore, to value a company made up of segments which each have different economics and is at a different stage of maturity, we think the most appropriate approach to valuing SpaceX as a company is to use a sum-of-the-parts (SOTP) valuation, which values each business independently before combining them into a total equity value.

The largest contributor to SpaceX’s intrinsic valuation (true value based on fundamentals, assets and future cashflow) is Starlink. It is already one of the world's largest satellite broadband businesses, generating recurring revenue, attractive margins and substantial cash flow. The Launch business deserves value in its own right given its dominant competitive position, although much of its strategic value is realised indirectly by supporting Starlink and the company's other businesses rather than through external Launch revenue alone. The AI business is more difficult to value, with meaningful revenue already emerging but profitability still some way off.

Beyond these operating businesses sits what we believe is the most important component of the investment case - optionality. Unlike many early-stage technology companies, SpaceX has a number of credible opportunities that could evolve into meaningful businesses over time, including direct-to-cell connectivity, defense applications and AI infrastructure. We assign these opportunities a probability-weighted value rather than assuming they all succeed. At the same time, we deliberately assign little or no value to highly speculative concepts such as Mars colonisation or asteroid mining. While they capture headlines, they are simply too uncertain to justify paying for today.

This distinction between intrinsic value and optionality is central to how we think about the business. The existing businesses already justify substantial value on their own. The upside comes from successfully converting today's technological advantages into entirely new future cash-flow streams rather than simply growing the businesses that already exist, see Figure 4.

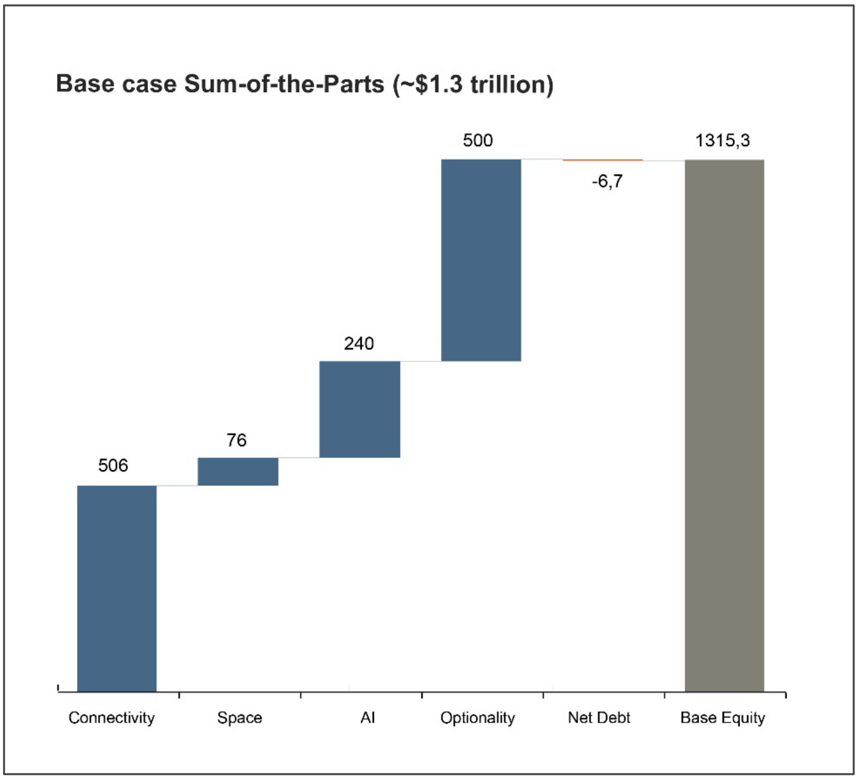


Figure 4: Valuation based on SOTP

Source: CAM estimates

Given the number of moving parts, any valuation should be viewed as a range rather than a single point estimate. Ultimately, the answer depends less on next year's earnings and more on whether SpaceX successfully executes against a handful of key operational milestones over the next decade, see Figure 5.

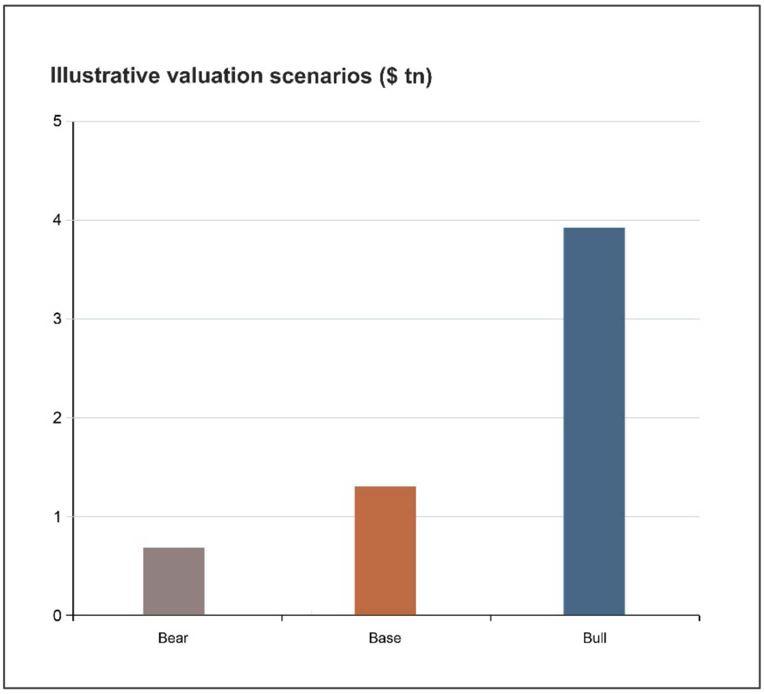


Figure 5: Illustrative valuation scenarios based on SOTP

Source: CAM estimates

1. In our bear case, worth around $700 billion, Starlink continues to grow but at a much slower pace as competition increases and pricing comes under pressure. More importantly, Starship struggles to reach reliable commercial operations, delaying many of the opportunities that depend on dramatically lower launch costs. The business would remain a highly valuable communications company with an industry-leading launch capability, but much of today's embedded optionality would disappear.
2. Our base case points to a valuation of approximately $1.3 trillion. Here, Starlink continues scaling into one of the world's largest broadband providers, Starship reaches commercial operations over the next few years and the AI business demonstrates a credible path towards attractive long-term returns. In this scenario, investors receive the benefit of a world-class connectivity business together with measured value for several future opportunities, but not every long-term ambition needs to succeed.
3. The bull case, approaching $4 trillion, requires considerably more to go right. Starship must achieve rapid reusability, materially lowering the cost of access to space and enabling entirely new markets to become commercially viable. Starlink continues expanding globally while maintaining attractive economics, the AI business evolves into a meaningful profit contributor, and newer opportunities such as direct-to-cell connectivity, defence services and AI infrastructure mature into significant businesses in their own right. Rather than simply

producing higher earnings, the company creates multiple new profit pools that do not meaningfully exist today.

Perhaps the most important takeaway is that only a handful of variables truly determine where within this range SpaceX ultimately lands. Starship's execution, Starlink's ability to continue growing while maintaining healthy economics, the return generated on AI investments and the pace at which new businesses transition from concepts into commercial reality will account for the vast majority of the company's long-term value creation. Everything else is largely second order, see Table 1.

Scenario	What has to happen	Illustrative Equity Value	How much optionality is realised?
BEAR	Starlink subscriber growth slows and pricing comes under pressure as competition intensifies. Starship struggles to achieve reliable commercial operations, delaying direct-to-cell, V3 satellites and orbital AI. The AI business continues consuming capital without demonstrating attractive returns.	~$0.7tn	Largely written down. Investors value SpaceX primarily as a slower-growing connectivity business supported by a high-quality launch franchise.
BASE	Starlink continues scaling while maintaining healthy economics. Starship reaches commercial operations and begins unlocking lower launch costs. AI demonstrates a credible path to monetisation, while defence and direct-to-cell begin contributing meaningful value.	~$1.3tn	Meaningful, but measured. The existing businesses underpin most of the valuation, with investors assigning reasonable probability-weighted value to the most credible future opportunities.
BULL	Starlink becomes the dominant global connectivity platform. Starship achieves rapid reusability and dramatically lowers the cost of access to space. Direct-to-cell, defence and orbital AI mature into significant businesses, while AI earns hyperscaler-like economics.	~$4.0tn	Multiple options succeed simultaneously. Starship unlocks several new profit pools, transforming SpaceX from a connectivity company into a diversified space and AI infrastructure platform.

Table 1: Summary of CAM's SpaceX scenarios

Source: CAM

THE BOTTOM LINE

SpaceX is an extraordinary company, but that was never the question. The real question, in our view, is how much of its future is already in the price. The existing businesses, led by a cash-generative Starlink and a Launch franchise that dominates access to orbit, appear to us to justify a substantial valuation in their own right.

What seems to separate the bear case from the bull case is not whether the company is impressive, but whether it can convert engineering leadership into new, durable cash-flow streams faster than the market appears to be pricing in. Almost everything of consequence, as we read it, runs through a handful of variables, and Starship sits at the centre of them all, because it is the single technology that either widens the opportunity set or quietly removes it.

On that view, SpaceX looks to us like one of the more interesting longer-term bets in the market today, though investors may need to be patient and wait for the company to execute on its longer-term road map.