GOELZER
INVESTMENT MANAGEMENT

Big Tech's Cash Flow Crossroads

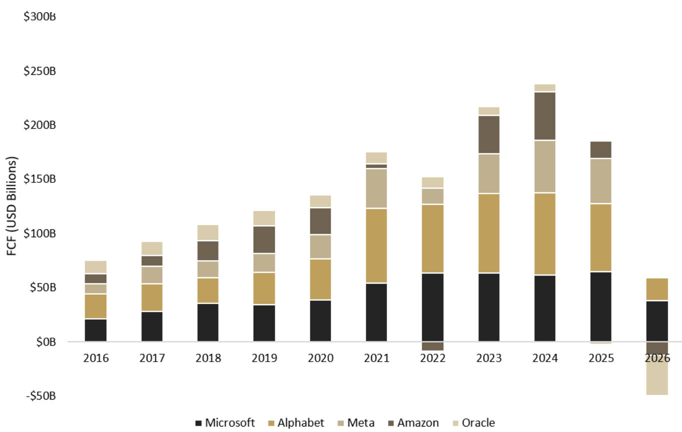
Historically, rising free cash flow has been one of the most important indicators of long-term stock performance because it reflects the cash a company generates after funding operations and capital investments. Strong free cash flow typically supports higher valuations, share repurchases, dividends, acquisitions, and future growth initiatives.

From 2019 through early 2024, aggregate forward free cash flow for Amazon, Microsoft, Alphabet, Meta, and Oracle rose from about $120 billion to nearly $250 billion. This period coincided with significant stock market gains for many large technology companies as cloud computing, digital advertising, software, and e-commerce businesses expanded. Microsoft, Alphabet, and Meta accounted for much of the growth, while Amazon contributed meaningfully as profitability improved after years of investment.

However, forward free cash flow is now facing a decline that began in 2025 and has accelerated into 2026. Historically, declines in free cash flow expectations have been linked to weaker stock performance, lower valuation multiples, and greater market volatility. Yet, current declines appear largely driven by elevated spending on artificial intelligence infrastructure and data centers. If those investments generate future earnings growth, free cash flow could recover and support another cycle of shareholder value creation.

For investors, the key question is whether near-term cash flow pressure represents a temporary investment cycle or the beginning of a more persistent deterioration in profitability. If AI-related capital spending ultimately translates into stronger revenue growth, productivity gains, and competitive advantages, the current decline in free cash flow expectations could create an attractive long-term opportunity; if not, valuations may face continued pressure as investors reassess growth assumptions.

12-Month Forward Free Cash Flow



Source: Bloomberg

Economy

Last Week	This Week
- CPI MoM (Jun): 7/14 0.0% vs. 0.2% prior	- Leading Economic Index (Jun): 7/20
- PPI MoM (Jun): 7/15 -0.3% vs. 1.1% prior	- S&P Global US Manufacturing PMI (Jul): 7/24
- Housing Starts MoM (Jun): 7/17 19% vs. -15.4% prior	- S&P Global US Services PMI (Jul): 7/24
- U. of Michigan Sentiment (Jun): 7/17 54.4 vs. 49.5 prior	- New Home Sales (Jun): 7/24

Equities

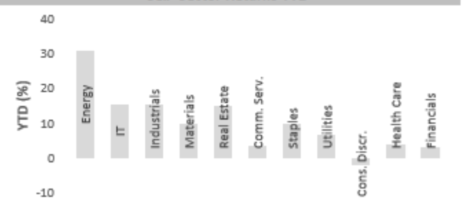
Returns (%)

Index	Level	1 Week	QTD	YTD	1 Year	3-Year Ann.	5-Year Ann.
S&P 500	7443	-0.95	-0.70	9.41	19.59	19.85	13.08
Russell 1000 Growth	4810	-1.74	-3.87	1.25	10.61	20.98	12.61
Russell 1000 Value	2427	-0.28	1.81	18.30	28.21	17.37	11.58
FTSE High Dividend Yield*	589	-0.88	0.85	12.45	21.37	16.55	12.05
S&P Small and Mid Cap	21202	-0.21	-2.56	16.41	23.39	13.41	8.30
MSCI EAFE	3088	-0.75	-0.86	8.95	20.49	15.97	9.73
MSCI EM	1617	-1.94	-5.94	16.63	32.35	19.89	7.27

Characteristics

Index	NTM P/E	NTM P/E (20Y med)	Div Yield
S&P 500	18.7	15.8	1.1
Russell 1000 Growth	21.1	18.3	0.5
Russell 1000 Value	16.8	13.7	1.8
FTSE High Dividend Yield*	13.9	13.1	3.6
S&P Small and Mid Cap	14.7	15.3	1.7
MSCI EAFE	15.0	13.5	2.9
MSCI EM	9.3	11.1	2.5

S&P Sector Returns YTD



* Bloomberg U.S Large Cap Dividend Yield Total Return Index used as substitute for index characteristics.

Fixed Income

Returns (%)

Index	Yield	1 Week	QTD	YTD	1 Year	3-Year Ann.	5-Year Ann.
U.S. Aggregate	4.87	0.20	-0.69	-0.07	3.88	3.84	-0.20
U.S. Int. Gov/Credit	4.54	0.24	-0.20	0.20	3.28	4.48	1.07
U.S. Corporates	5.35	0.17	-0.95	-0.10	4.04	4.83	-0.01
High Yield	7.21	0.19	0.16	2.12	5.95	8.51	4.17
Municipals (1-10)	3.23	-0.26	-0.48	0.62	3.95	3.07	1.15

Levels (%)

Key Rates	Last	1 Wk Ago	Last Qtr	Prev YE	1 Yr Ago	3 Yrs Ago	5 Yrs Ago
2-yr Treasury	4.21	4.20	3.80	3.48	3.83	4.84	0.21
10-yr Treasury	4.59	4.59	4.32	4.17	4.35	3.85	1.29
30-yr Treasury	5.11	5.11	4.91	4.85	4.92	3.91	1.94
SOFR	3.57	3.63	3.68	3.87	4.28	5.06	
6-mo. CD rate	4.05	4.12	3.84	3.62	4.33	5.73	0.21
Prime Rate	6.75	6.75	6.75	6.75	7.50	8.25	3.25
30-yr fixed mortgage	6.46	6.59	6.48	6.25	6.79	7.24	2.98

Data as of 4:10 PM ET, July 21, 2026. Returns through July 20, 2026.