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By The Nightview Team

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Is the Market Mispricing AI Concerns on Software?

It's easy to forget now, but on the night of December 31, 1999, a good portion of the developed world went to bed nervous.

For decades, programmers had saved precious memory by writing years with two digits instead of four. Nineteen ninety-nine was "99." The year 2000 would read as "00." Computers, the theory went, would take that for 1900 and lose their minds. Planes would fall out of the sky. Power grids would fail. Bank balances would vanish. Elevators would freeze between floors. People bought generators. A few bought bunkers. (Some countries, like China, took it so seriously that officials forced airline executives to book flights on Jan. 1, 2000-just to ensure their employees were taking the matter seriously.)

Then the clocks rolled over, and almost none of it happened. Y2K turned out to be a nothingburger.

Markets are very good at identifying genuine risks. They are often much worse at sizing them. Time and again, the crowd spots a real problem, then overcorrects, pricing assets as if the worst version of the fear has already arrived or whose outcome is set in stone. Psychologists call this "anticipatory anxiety." The dread of the thing tends to outrun the thing itself.

Does the market have anticipatory anxiety today about what AI will do to some of the largest software businesses in the world? We think it plainly does. The mood around software is-to put it lightly-dim.

Of course, some of that fear is warranted. But when the market paints an entire category with one brush, it tends to leave bargains underneath for those of us willing to take the longer view.

AI Is Already in the Walls

We are optimists about AI for the same reason we are optimists about most powerful tools. Given enough time, people use them to make more, do more, and, eventually, build more.

Artificial intelligence is already being woven into the fabric of how organizations operate. In a previous letter, we compared it to electricity. It will find its way into nearly every industry and nearly every life. The internet did the same thing about thirty years ago. It made the economy larger, and almost everyone's slice grew along with it.

So when we tell you we are skeptical of the market's fear about software, please do not hear us saying that AI is overhyped. We are saying something closer to the opposite. AI is real enough-and useful enough-that a great many businesses will thrive by absorbing it. So yes, some business models are fragile in the face of AI.

Yet, we believe some of the software companies being branded as dead on arrival will actually grow and strengthen through the incorporation of AI. And as the market is now punishing many software companies, we believe highly compelling opportunities are now presenting themselves.

The SaaSpocalypse

Beginning early this year, the market staged one of the fastest repricings of an entire sector we have seen in some time. Software stocks shed enormous value in a matter of weeks. The theory driving the selling was simple and, on its surface, frightening. If AI agents can do the work that software used to charge you per user to do, then the per-seat subscription model that built the industry is finished. Enterprises will build their own tools and nobody will pay for licenses. The moats will drain overnight. That was the theory, at least.

Some numbers to convey the mood: By the spring, forward earnings multiples on software had fallen below the multiple on the broad market for the first time anyone can remember, a remarkable inversion for a sector that spent the last decade as the market's favorite child. The major software index fell more than twenty percent while the broad market performed well.

The bears are right about something important. AI genuinely does change the economics of software. Gross margins that used to sit comfortably in the eighties come under pressure when every query burns compute. Simple point solutions-the single-feature tools that never had much of a moat to begin with-are in real danger. Some software companies deserve to be repriced, and perhaps a few deserve to disappear.

Again, we just think the market did what markets tend to do. It took a real and specific risk and painted it across an entire sector. These overcorrections to whole sectors seem to be occurring more frequently, yet we believe the stronger players will inevitably find their level.

Even some of the loudest voices in AI have said as much. Nvidia CEO Jensen Huang called the idea that software is dead "the most illogical thing in the world." We are not in the business of borrowing other people's conviction, but when the people closest to the technology and the people furthest from it disagree this violently, we get curious.

Curiosity, for us, is usually where we find our best ideas.

Why We Think the Fear Is Mispriced

Here is the heart of it: we believe the best software businesses are potentially among the most resilient assets you can own in an AI world, and we believe this for four concrete reasons.

1. They are systems of record. The most valuable software companies sell the authoritative place where a company's most important information lives, from customer relationships, employee records, financial data, to engineering roadmaps, and so on. An AI agent is only as good as the data it can reach, and the richest, cleanest, most current data sits inside these systems. AI makes these systems of record more valuable, because now there is a very hungry new customer for that data, and the new customer is the AI itself.

2. The second is switching costs, which are unglamorous and enormous. Ripping out the software that runs a large company is a project measured in years and careers. Executives do not wake up eager to migrate their entire company off a platform their people know, in the hope that a newer tool works out.

3. The third is distribution, which is one of the most durable advantages in business. The incumbents already sit inside tens of thousands of enterprises. They already have the contracts, the security certifications, and relationships with the people who sign. When they ship an AI feature, they ship it to a customer base that is already there. A brilliant startup has to go find every customer one at a time. The incumbent just sends an email.

4. The fourth is the simplest: these companies are not standing still. They are putting AI into their own products faster than almost anyone. The fear assumes software companies will watch AI eat their lunch. What is actually happening, we believe, is that they are using AI to serve more customers, automate more work, and, in several cases, charge for outcomes rather than seats. These companies with innovative technology are, at their core, in a much different situation than many of the companies disrupted by the internet faced.

Put those four together, and you might see how some of the strongest software franchises are turning the thing that was supposed to kill them into a tailwind. That is exactly the sort of gap between fear and reality that we like to buy.

A Look at What We Own

Here's how we're expressing this view in the NITE portfolio.

Salesforce is our clearest expression of the system-of-record thesis. It holds the customer relationships of a large slice of the corporate world. That data is the fuel for every AI sales and service agent a company might want to deploy, and the natural place to deploy them is inside the platform that already holds the data. When the software selloff was at its most indiscriminate, we added to our position. We were, in effect, buying the fear.

ServiceNow runs the digital plumbing of the enterprise: the workflows that move a request from "someone asked" to "someone did it." Automation is not a threat to that kind of business. The more work an organization wants to hand to software agents, the more it needs a trusted place to route, track, and govern what those agents do. We added here as well during the quarter.

Autodesk makes the tools that architects and engineers use to design the physical world. The buildings, the bridges, the machines. This is a business protected by decades of professional habit, file formats, and training, and by the simple fact that when you are designing something that people will stand inside, you want the trusted tool. We held our position roughly steady.

Oracle sits underneath a stunning amount of the world's data and has become one of the more important landlords of AI computing infrastructure. The demand for its cloud has been remarkable. That strength is also why we trimmed the position modestly, harvesting some of a strong run to fund ideas where we saw more room ahead.

Atlassian is a new position this quarter. It owns the tools that software teams use to plan and ship their work, which places it at an interesting spot in the AI story. The world is about to write a great deal more software, much of it with AI assistance, and all of that software still has to be organized, tracked, and shipped by human teams. We think the company that sits at the center of how software gets built is a fine place to own in a decade defined by building more of it.

We would rather own five great franchises we understand deeply than fifty we understand vaguely. Concentration is a feature of how we invest, and these positions reflect real conviction rather than a desire to check a box marked "software."

What We Changed This Quarter

We are long-term owners, which people sometimes mistake for inactivity. In truth, a long-term portfolio still requires regular maintenance.

Over the quarter, we exited four positions: Meta, Intuitive Surgical, Shopify, and EchoStar. Each was a good business. In each case we concluded our capital would work harder elsewhere, and we would rather concentrate behind our best ideas than hold a name out of habit. EchoStar is worth a brief note, because we had recently been adding to it, and it was a strong performer. We sold it in full and redeployed the proceeds. A chunk of the spectrum that makes SpaceX's satellite-to-phone ambitions possible was bought from EchoStar.

We also leaned into a theme the market seems to have forgotten about entirely: businesses whose product is a physical, human experience. We bought Las Vegas Sands and MGM Resorts , and we added meaningfully to Wynn Resorts . Together, gaming and hospitality became one of our larger thematic exposures by the end of the quarter.

The logic here is straightforward: The integrated resort is a moat made of concrete, square footage, and licenses that governments hand out very rarely. It is the kind of asset that does not get disrupted by better software. Indeed, we are bullish on the resurgence of in-person gaming.

Within financials, we rotated toward scale. We roughly doubled our stake in BlackRock and added substantially to Charles Schwab , while trimming Goldman Sachs and Morgan Stanley . The through-line is a preference for the largest, most durable platforms in asset management and retail brokerage, businesses that stand to become more efficient as they apply AI internally while their scale advantages only compound.

Finally, the trims. We cut our AMD position by roughly half after a powerful run left it a much larger dollar position than the share count suggested. We lightened Axon , Goldman , Morgan Stanley , and Brookfield Renewable , and we made small adjustments to Nvidia , Tesla , and Amazon , which remain among our largest holdings.

Tesla remains our largest position and Nvidia and Amazon remain core holdings. We continue to believe each sits at the center of enormous, multi-decade shifts. We simply prefer to own them in sizes we chose on purpose.

The Long Game

Step back from the quarter and here is what we see.

The market spent the first half of 2026 convinced that AI would hollow out the software industry. We spent it buying the software businesses we think are strong enough to feed on the very trend that was supposed to kill them, buying physical experiences that no algorithm can replicate, rotating toward the largest and most durable platforms we can find, and taking our first bite of a company we hope to own for the rest of our investing lives.

None of this is a prediction that the next quarter will be calm. (It will probably not be.) Fear is a renewable resource, and the market will find something new to be afraid of, most likely something that also turns out to be more manageable than the headlines suggest. That is fine. Our advantage was never the ability to predict the weather but the willingness to stay planted in our convictions while others run for cover.

Twenty-six years ago, a great many smart people were certain the world would break at midnight.

The clocks turned over and the coffee still brewed in the morning. We suspect that when we look back on the great software panic of 2026, it will read much the same way. A real change, a genuine fear, and a crowd that mistook the two for the end of the story rather than the start of a better chapter.

We are grateful, as always, for the trust you place in us. Thank you for reading, and for being the kind of partners who let us think this far ahead.

With gratitude,

Arne Alsin

& The Nightview Capital Team

Investors should carefully consider the investment objectives, risks, charges and expenses of the NITE ETF. This and other important information about the Fund is contained in the prospectus, which can be obtained at www.nightviewfund.com or by calling (866) 666-7156. The prospectus should be read carefully before investing.

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NITE Holdings as of July 15, 2026

Symbol Name % Weight TSLA Tesla Inc ORD 12.73% NVDA NVIDIA Corp ORD 9.21% AMZN Amazon.com Inc ORD 8.45% AXON Axon Enterprise Inc ORD 5.17% GS Goldman Sachs Group Inc ORD 4.84% MS Morgan Stanley ORD 4.74% SCHW Charles Schwab Corp ORD 4.69% MGM MGM Resorts International ORD 4.60% BLK BlackRock Inc ORD 4.40% AMD Advanced Micro Devices Inc ORD 4.30% NOW ServiceNow Inc ORD 4.08% WYNN Wynn Resorts Ltd ORD 4.03% CRM Salesforce Inc ORD 3.94% LVS Las Vegas Sands Corp ORD 3.71% TEAM Atlassian Corp ORD 3.68% ADSK Autodesk Inc ORD 3.66% BEP Brookfield Renewable Partners LP 3.66% NFLX Netflix Inc ORD 3.63%

ORCL Oracle Corp ORD 2.98% SPCX Space Exploration Technologies Corp ORD 2.96% USD Cash 0.52% Other Assets less Liabilities 0.04%

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