VF CAPITAL MANAGEMENT

THE BIGGEST RISK OF THE NEXT FIVE YEARS

Why the real danger for investors isn’t a crash — but leaving too early.

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OF THE NEXT FIVE YEARS

Welcome. Today’s topic is the single greatest risk for investors over the next five years.

And in my view, this risk is not that we might be surprised by a correction or even a market crash. Depending on how pronounced the coming bubbles will be — and we will see several between now and 2030 — such sharp downturns are possible.

But that is still not the main risk.

The much bigger danger is stepping back too early and becoming too cautious. This could make investors leave during one of the most favorable combinations of forces we may see in our lifetime. Prices will fall at times. Some will call the first drop a “new bear market,” claiming the bubble has burst and that the upswing is over.

But overall — and I will explain why — markets are likely to move much higher, even if volatility increases compared to the past.

Volatility can be prepared for mentally. What is harder is the wave of headlines that can make us pessimistic, especially those about political and social change. These concerns are understandable. But in terms of investing, the opportunities clearly outweigh the risks.

The Foundation:
A Major Technological Shift

The speed of current developments is rooted in one thing: AI. It is more than just another new technology. It may be the biggest shift since the internet, and many still underestimate it.

Think back to the “GPT moment” of 2022, when the public first saw large language models in action. At the time, many in the media and expert circles dismissed these systems. They said the models only repeated patterns and lacked real understanding.

Specialists also said real reasoning and everyday usefulness were still many years away. Many believed AI would progress slowly because of high computing and energy costs. They also thought language models could never develop or understand real cognitive structures.

We now know the reality was the complete opposite. The progress of the last three years was deeply underestimated. Today, we are using technology that has grown far beyond those early expectations.

AI, Automation and the Economic Shift

Let me share current data from the Boston Consulting Group. AI, robotics, and automation are replacing human labor at a rapidly increasing pace.

By 2030, a warehouse worker costing $30,000 per year today could be replaced by a robot costing $3,000. A $30,000 automobile could fall below $15,000. And the cost of shipping a package could drop from $5 to around $2.

McKinsey estimates that up to 30% of all working hours may be automated by 2030. We are talking about hundreds of millions of displaced jobs globally. Many new jobs will appear, so this is not a pessimistic long-term view. But we also know that not every warehouse worker will become an AI engineer. Skill and age barriers matter.

Some analysts go even further. Ark Invest says one worker and ten robots could equal the output of fifty workers today. This is one of the reasons I focus so closely on robotics and automation.

If you ask, “But how certain is this?” — of course, nothing is certain. Investing is always about probabilities. The real question is: Where is the tail risk? Is the real danger a correction? Or is the real danger staying out of the market during a major technological and economic surge?

Corrections Will Come
But They Should Not Push You Out

What matters is preparing mentally for the corrections ahead. When they come, we cannot allow them to drive us out of the market at the wrong time. We will hear arguments like: “There are too many disruptions, this cannot end well.”

Some things indeed may not “end well” on a social or political level. But financially, these productivity-driven price declines tend to create massive investment opportunities. Prices fall, buying power increases, and profits grow. Central banks are then forced to keep interest rates low. They may even restart Quantitative Easing.

(Quantitative Easing, in simple terms, is when a central bank creates new money and uses it to buy bonds. This adds more money to the system, lowers borrowing costs, and helps support the economy.)

We have already seen what QE produced in 2008 and 2020.

Before that deflationary phase, we will likely see another period of higher inflation. This would be similar to what happened before the last major deflationary cycle. But when productivity-driven deflation takes hold, it becomes extremely difficult to reverse. From an investment perspective, that is not a problem — it is a huge opportunity.

Deflationary Forces Plus a Global Liquidity Wave

This brings us to the key point. Two major forces are coming together, creating the setup for one of the most promising bull markets in modern history.

1. AI-Driven Deflation

AI replaces human labor, scales easily, never sleeps, and never strikes. As a result, it lowers the cost of products and services across the economy.

2. Unprecedented Global Debt

Governments, companies, and increasingly households are more indebted than ever. In a world of falling prices, debt becomes deadlier — deflation is the worst enemy of every debtor.

The Policy Response Is Predictable

Central banks and governments must counter deflation with liquidity. They will print, stimulate, and push interest rates down again. Not because they want to — but because they have no choice. The alternative would be systemic failure.

When huge amounts of liquidity enter an economy, the extra money must go somewhere. It then flows into stocks, digital assets, real estate, and other yielding investments.

This is the foundation for a profoundly bullish market environment.

The Investment Themes of the Next Five Years

The main theme is clearly AI and everything connected to it. And it is not limited to the major tech companies. In fact, there may be times when hyperscalers grow more slowly. These are large cloud companies that run massive computing platforms. Companies in the layers above them may grow faster. These include industrial companies, manufacturers, automation firms, and software providers.

The entire value chain benefits. This includes semiconductors, data centers, energy supply, cooling, infrastructure, software, robotics, and automation. It is not only about the companies building the best models. It also includes those providing the “picks and shovels.”

Energy remains one of the most underestimated sectors. AI requires enormous amounts of power. Efficiency is improving, but total demand will keep rising for years.

Financial infrastructure will transform as well. Stablecoins and tokenized assets are not a niche. Regulations may be slow, especially in the U.S., but the direction is clear. Even JPMorgan has integrated Ethereum-based infrastructure. This does not mean every token will soar — far from it — but the shift is permanent.

Traditional industries — steel, chemicals, logistics, machinery — may see productivity surges few investors expect. Over the last two to three years, the upside potential in these sectors has grown a lot. Yet valuations are no higher than they were two to three years ago. Markets cannot price everything at once. And this is where opportunities emerge.

Volatility and bubbles will be part of this environment. That is the nature of exponential change. Bubbles are not rare accidents. They are a feature of fast technological shifts.

In past decades, bubbles formed only every few years in isolated sectors. Now we may see them appear and burst much faster. They may also re-inflate faster due to the underlying productivity and liquidity forces.

The crucial point is: This environment is structurally bullish for several years.

The Social and Political Impact

None of this means the transition will be smooth. If AI replaces human labor at scale, we will face major social questions. These could include universal basic income, robot taxes, and energy taxes. There may also be new taxes on AI-heavy companies, or even entirely new systems.

We will see political mistakes, rising inequality, and demographic segments feeling left behind. This will create frustration and demand for redistribution — possibly even crises of legitimacy.

Political and social crises do not always lead to falling markets. In fact, rising markets may heighten the sense of inequality.

This is uncomfortable — but it is reality. Our task is to navigate this transformation as investors. And we must capture the opportunities it creates.

Prepare for Uncertainty — and for Opportunity

There may eventually be a reset, or the beginning of a new era with new rules for how societies function. That uncertainty is real.

But the road ahead is likely to offer extraordinary opportunity for bold investors.

Prepare for discomfort. Prepare for volatility. Prepare for unsettling headlines.

But understand that, from an investor’s perspective, the opportunities over the next five years far outweigh the risks.

We will do everything we can to help you navigate this environment. Our goal is to help you capture these opportunities in the best and most profitable way possible.

To learn more about our approach and access our premium investment service for free, click the image on the right.
(access code is provided at the end of the video)

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