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Casual Friday: AI Bill is Coming Due + $2 Hot Dog

#TGICasualFriday!

Thursday's selloff was described on Bloomberg as a "toxic cocktail." More tariff talk. Rising tensions in the Middle East. Higher rates. Another private credit headline. And... Alphabet's earnings. The interesting part wasn't the earnings themselves—it was the free cash flow. Alphabet remains an incredible business. Exceptionally profitable. But after accounting for the enormous capital spending required to build AI infrastructure, it's now free cash flow negative. That's a meaningful shift.

The chart below tells the story. For years, software companies were cash flow machines. Today, much of that cash is being redirected into hyperscaler infrastructure. AI isn't free—and someone has to write the check. Hint – the shareholders.

What does this mean for dividend investors?

For years we complained that many companies—including a couple we own—preferred stock buybacks over dividend increases. Sometimes that's exactly the right move. If management repurchases shares when they're cheap, as Qualcomm did years ago, it could create tremendous long-term value for shareholders. But buybacks at elevated valuations are a different story. You retire fewer shares, create less value, and if the stock eventually falls, those buybacks don't look nearly as brilliant in hindsight.

Now there's another competitor for that cash: AI capital spending.
Instead of higher dividends, more companies are writing multi-billion-dollar checks to build data centers and AI infrastructure.

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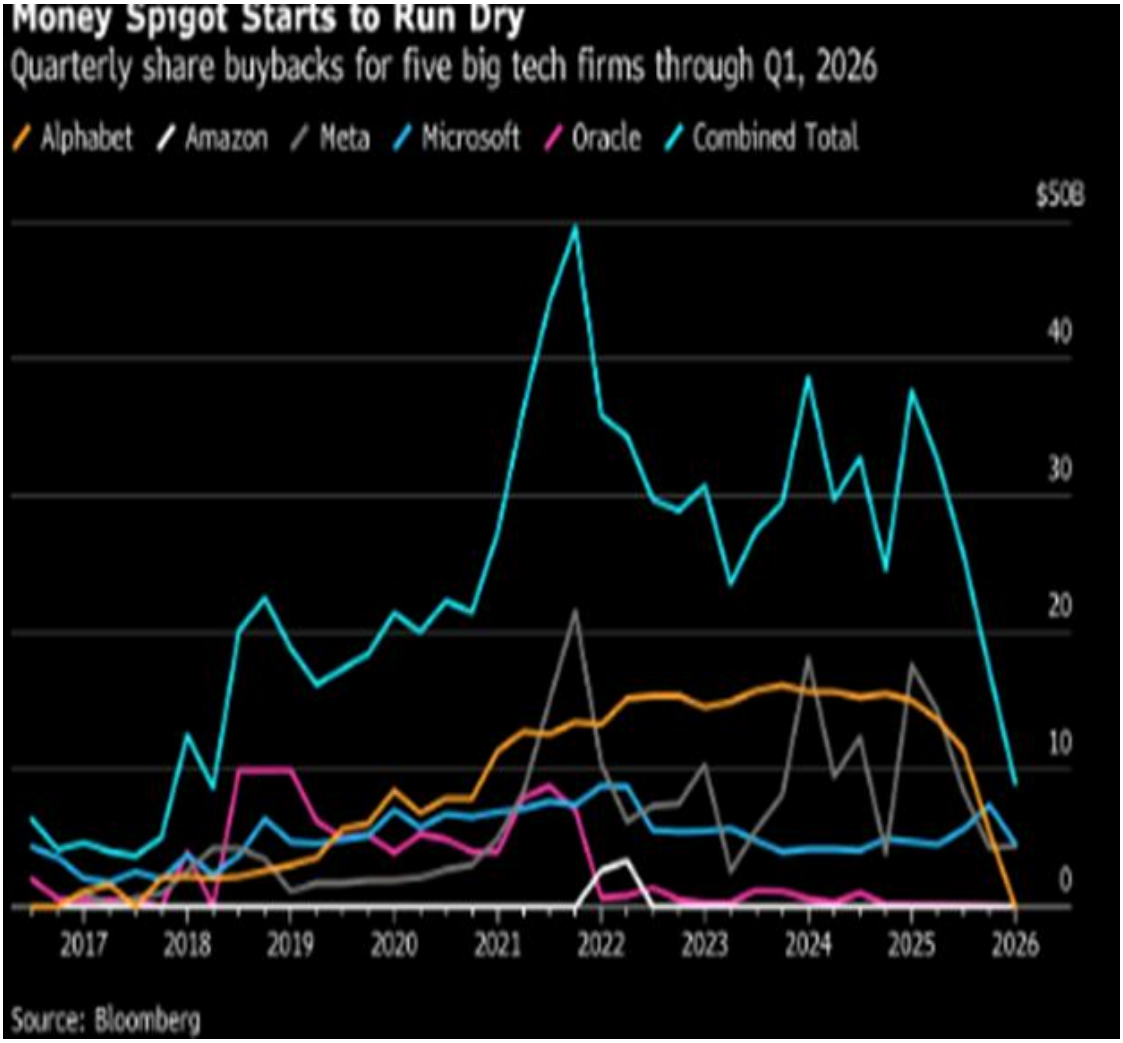
Source: BofA Research 7.8.2026



Source: Bloomberg 6.30.2026

Will the bet pay off? Time will tell. With a few exceptions, one thing that stood out this quarter was the contrast inside our own portfolio. While the hyperscalers are consuming cash at a historic pace, many of our holdings continued doing what they've done for years—continued raising their dividends.

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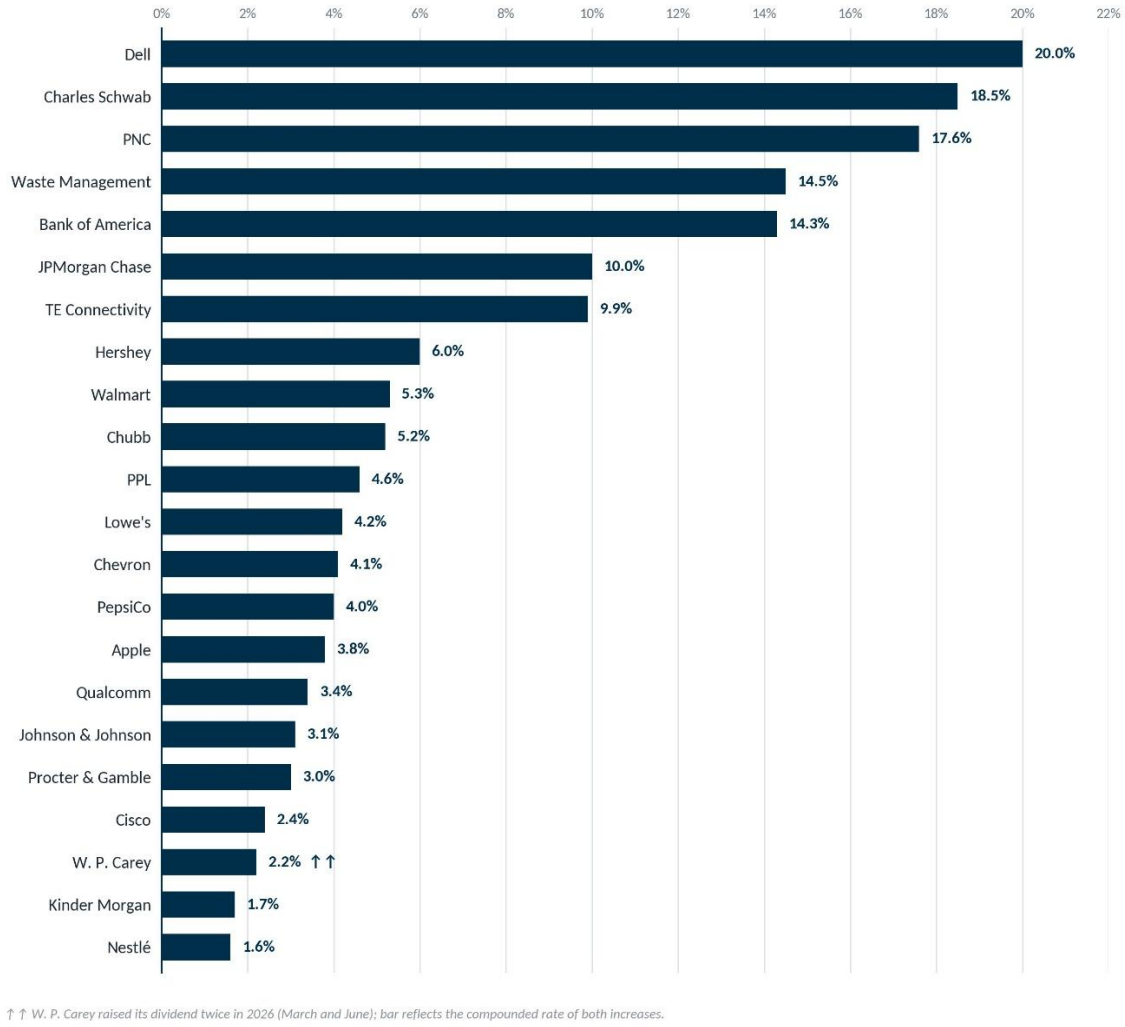

Source: Bloomberg 7.24.2026

In a world obsessed with the next AI announcement, steady and growing cash distributions remain refreshingly old-fashioned. And, in our opinion, they're becoming even more valuable.

A $2 Hot Dog?
And what it has to do with the $124 trillion about to change hands...

Will Guidara's book *Unreasonable Hospitality* chronicles the rise of Eleven Madison Park to the #1 restaurant in the world. Most would think: "Must be the best food in the world." Yet the story Will tells most proudly? Serving a $2 NYC street hot dog—in his four-star dining room. The rise to #1 in his view was, "Unreasonable Hospitality", not just great food.

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Hold that thought—we'll come back to the hot dog.

First, just like the high stakes business of the Manhattan's restaurants, the stakes for advisors to retain and earn new business massive:

- **$124 trillion** changes hands through 2048—the largest wealth transfer in history. (Cerulli)
- Only **27%** of heirs plan to keep their parents' advisor. Among those who've already inherited? Just **20%**. And the #2 reason they walk: no relationship with the advisor. (CNBC / Cerulli)
- Roughly **$40 trillion** passes to widowed women first—many who never felt like part of the relationship. (Cerulli)
- When clients fire an advisor, performance explains just **11%** of it. Relationship (21%) and communication (9%) dwarf it. (Morningstar)

The money isn't leaving because portfolios trailed a benchmark… It's likely service, integrated family members in to the planning conversations and preparation to serve a new generation.

Portfolio management and basic planning doesn't differentiate you anymore. Models, near-free index funds, planning software, AI—yesterday's edge is today's table stakes. And to the kids about to inherit the money, one advisor's portfolio chart looks exactly like the next... Which brings us back to the hot dog.

The Best Restaurant in the World Didn't Win on the Food
The scene: early 2010s, lunch service. Guidara is clearing plates when he overhears four out-of-towners closing out a week-long food tour of New York—Per Se, Le Bernardin, Daniel, Momofuku, now here. One sighs: a whole week in the city, and nobody ever grabbed a real street hot dog.

Guidara bolts out the door, buys a $2 dirty-water dog off the Sabrett's cart, and talks his chef into plating it. It goes out as a surprise course before dessert.

That kitchen had served tens of millions of dollars of wagyu and caviar. The $2 hot dog is what those guests never stopped talking about. Not because of what it cost—because of what it proved: someone was *actually listening*.

You know how the story ends. In 2017, Eleven Madison Park was crowned #1 on the World's 50 Best Restaurants list—and the award citation literally listed "outstanding hospitality" before the food. They didn't out-cook the most decorated kitchens on earth. They out-cared them. (World's 50 Best)

Service vs. Hospitality

- **Service** is doing the job—plan built, trade placed, review on time. Black and white. Table stakes.
- **Hospitality** is how you make people *feel* while you do it.

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In advisor terms: the review that lands on time is service. Hospitality is knowing a client's daughter just got into her first-choice school—and a "first-day fuel" box landing at her dorm on move-in week. A campus coffee card, snacks for the all-nighters, a handwritten note: *"Big things ahead. Be as diligent as your parents financial plan to fund your education."*

Now notice what that box really is: your first deposit with the heir who—statistically—is already planning to fire you. Total cost? A few hot dogs. Haha.

Hospitality Isn't Soft—It's Your Highest-Value Work
The hardest number in the business agrees. Vanguard pegs a good advisor's added value at ~3% a year—and the single biggest slice, ~1.5%, is behavioral coaching: keeping clients calm and invested through scary headlines. (Source: Vanguard Advisor's Alpha) That's not a portfolio skill. It's a relationship skill. The connection isn't the wrapping paper around your value—it largely *is* your value.

Everyone can build the portfolio now. The edge is being *unreasonable* about how clients—and their kids—feel. Six ways to steal Guidara's playbook:

- **Keep a "delight file" on every client.** Log the human stuff in your CRM—the kid at Villanova, the '68 Camaro, the bucket-list trip to Tuscany. Then act on it. *Client mentions the trip? A guidebook and a handwritten note arrive before they fly.*
- **Run the 95/5 rule.** Manage 95% of the business with discipline; spend the last 5% on gestures that look slightly foolish on a spreadsheet. *Block one "5% moment" a week for a top household. Costs a hot dog. Buys a decade.*
- **Give your full attention.** In a world of second screens, presence is the differentiator. *Open the review with: "Before the portfolio—what's the best thing that's happened in your family since we last talked?"*
- **Make the review a moment, not a data dump.** Anyone can email a PDF. *Their coffee waiting, a one-page "here's what we did for you this year"—taxes saved, dollars protected in the last dip—and a real celebration of a goal hit.*
- **Make it a team sport.** The experience is every touchpoint—the voice on the phone, the birthday card, the welcome at the door. *Give the team a gift drawer and a standing budget to surprise a client the day something great—or hard—happens.*
- **Win G2 before the funeral.** The first-day-fuel box is an opening move, not a one-off. Make the kids insiders years before the wealth moves. *Host a next-gen dinner. Ask the patriarch: "Who else in the family should understand how this works?"*

Anyone can serve. Few are willing to be unreasonable. This weekend, pick one client—and one hot dog.

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