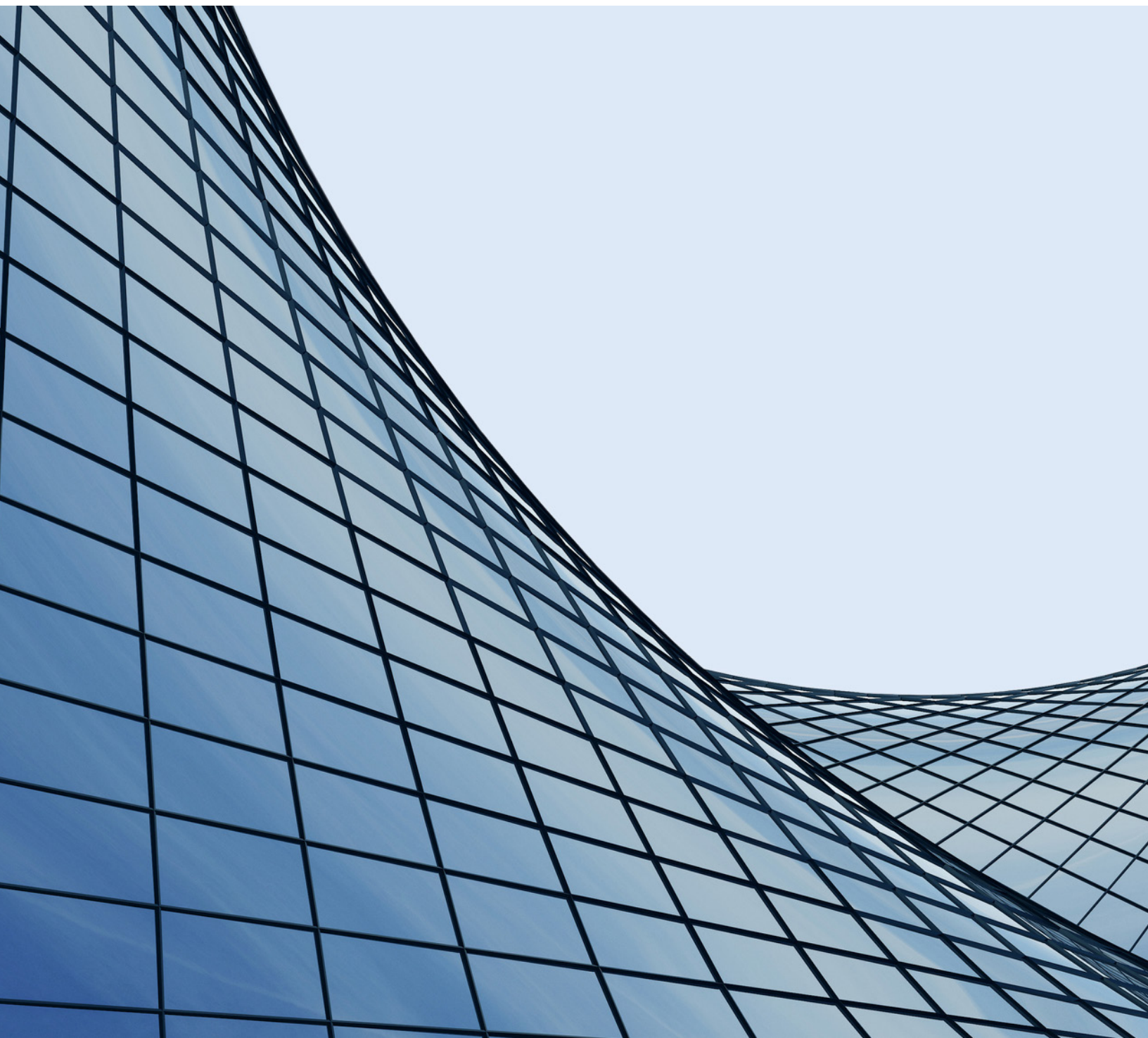


Three reasons this isn't the tech bubble all over again

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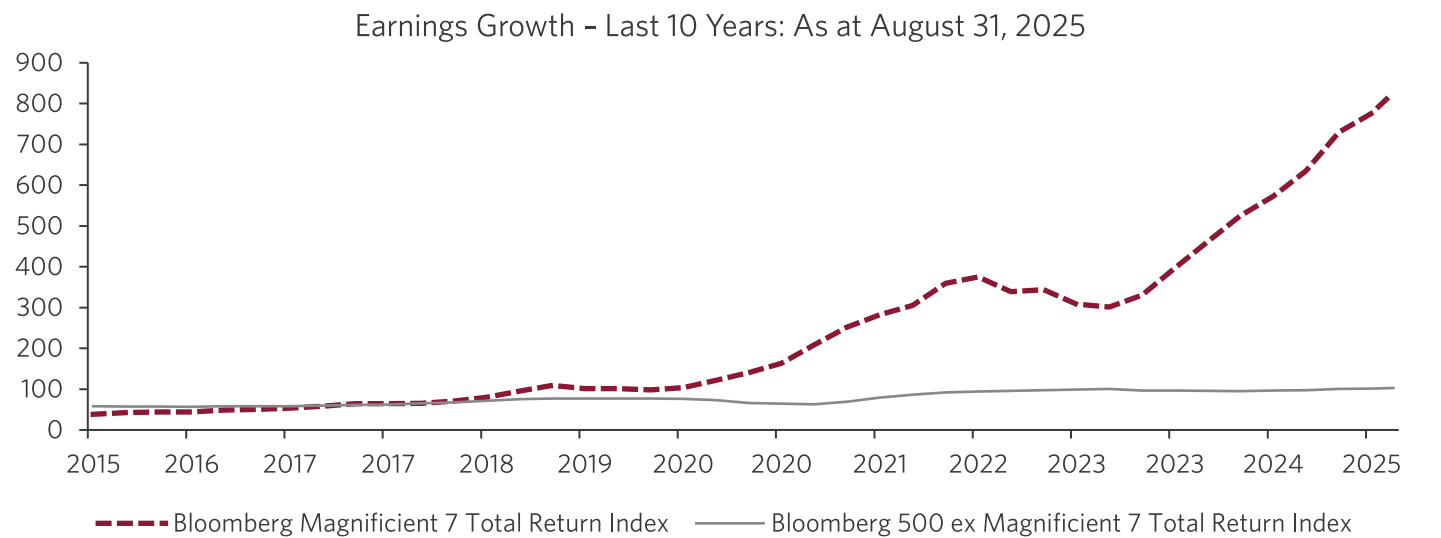
Technology and artificial intelligence-related companies have led market returns over the last three years, with the Nasdaq 100 Index up 96% cumulatively as at August 31, 2025. Many investors are questioning whether the current technology cycle is reminiscent of the run-up to the tech bubble in 2000. From March 1, 1997 to the peak of tech bubble in February 28, 2000, the Nasdaq was up a staggering 402% cumulatively. Companies associated with the promising internet theme (The World Wide Web) performed exceptionally well. At the time, a growth-over-profit mentality prevailed, with some companies generating triple-digit returns despite never generating positive operating profits.

Today, while technology stocks continue to lead the market, there are 3 reasons we’re not seeing a repeat of the early 2000s:

1. Profitability and earnings growth

The latest surge in technology and artificial intelligence-related stocks is fundamentally different than what was observed in the late 1990s. Today, technology companies are generating significant profits, outpacing the broader U.S. market. In contrast, many companies from the dot-com era were valued on unrealistic expectations.

Chart 1



Source: Bloomberg. Data Normalized with Factor 100 as at September 1, 2015. As at August 31, 2025.

2. Quality market leadership

During the lead-up to the tech bubble, most companies surged regardless of size. In stark contrast, mega-caps with significant market dominance and proven, scaled business models with robust infrastructure have been the clear winners over the last decade, and investors have not been rewarded by going down-cap in 2025. These are real businesses that millions of people use every day. In comparison, many dot-com era companies were unproven ventures.

Today, large, profitable companies like Nvidia, Apple, Alphabet, Microsoft, Meta have continued their dominance, while the remainder of the market has experienced only modest growth.

Chart 2

Index Name	YTD 2025 (%)
NASDAQ US 500 Large Cap Index	11.15
Nasdaq US 600 Mid Cap Index	6.41
Nasdaq US 700 Small Cap Index	4.66

Source: Morningstar Direct as at August 31, 2025.

3. Early innings of a secular trend

Our view is that the surge in artificial intelligence-related stocks is at its infancy, and any parallels drawn between the current market environment and the tech bubble are tenuous.

In terms of the stage of technological adoption, we are still at early stages. Generative AI is considered to have entered the mainstream globally in 2022 with the public release of ChatGPT by OpenAI, so we are just over 2 and a half years into the Generative AI adoption cycle. When we look at these types of market environments, the PC era lasted over 10 years from the mid-80s to the tech bubble in 2000. In that span, Microsoft and Intel generated 80% of the operating profits and generated 51,800% and 10,295% cumulative return respectively. The smartphone era lasted around 14 years, and a company like Apple captured 80% of the operating profits and generated a cumulative return of 4,711%. Technology inflection points can be measured in years, not months, and we recommend investors gain exposure to capitalize on the opportunity.

Partner with an experienced tech research team: CIBC Technology Innovation Fund

The CIBC Technology Innovation Fund is managed by Robertson Velez. Robertson spent 12 years at ATI technologies, a Canadian semiconductor company which later became AMD. His engineering background provides a critical understanding of what drives established technologies and areas like artificial intelligence. He can sift through highly technical information or industry jargon, and then determine the investment merit, catalysts for growth, and valuation of each business. Leveraging this past experience provides an informational edge when assessing technology companies which can ultimately lead to better investment decisions.

We recommend maintaining an overweight exposure to technology innovation and artificial intelligence. The CIBC Technology Innovation Fund has been overweight large-cap stocks since 2022, given their attractive growth profiles, and has 70% to 80% of the portfolio invested in artificial intelligence-related themes.

The Fund retains the flexibility to invest down-cap and will do so selectively when the opportunity arises. Throughout 2025, we held companies like Datadog and Axon Enterprises, and participated in three oversubscribed IPOs related to blockchain and digital software. These investments demonstrate our ability to generate alpha through selective small- and mid-cap additions, while maintaining an overweight allocation to large-caps. They also underscore the value of active management in positioning the portfolio within the most attractive segments of the technology innovation market.

About the author



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