UPSIDE PODCAST — #Episode 102

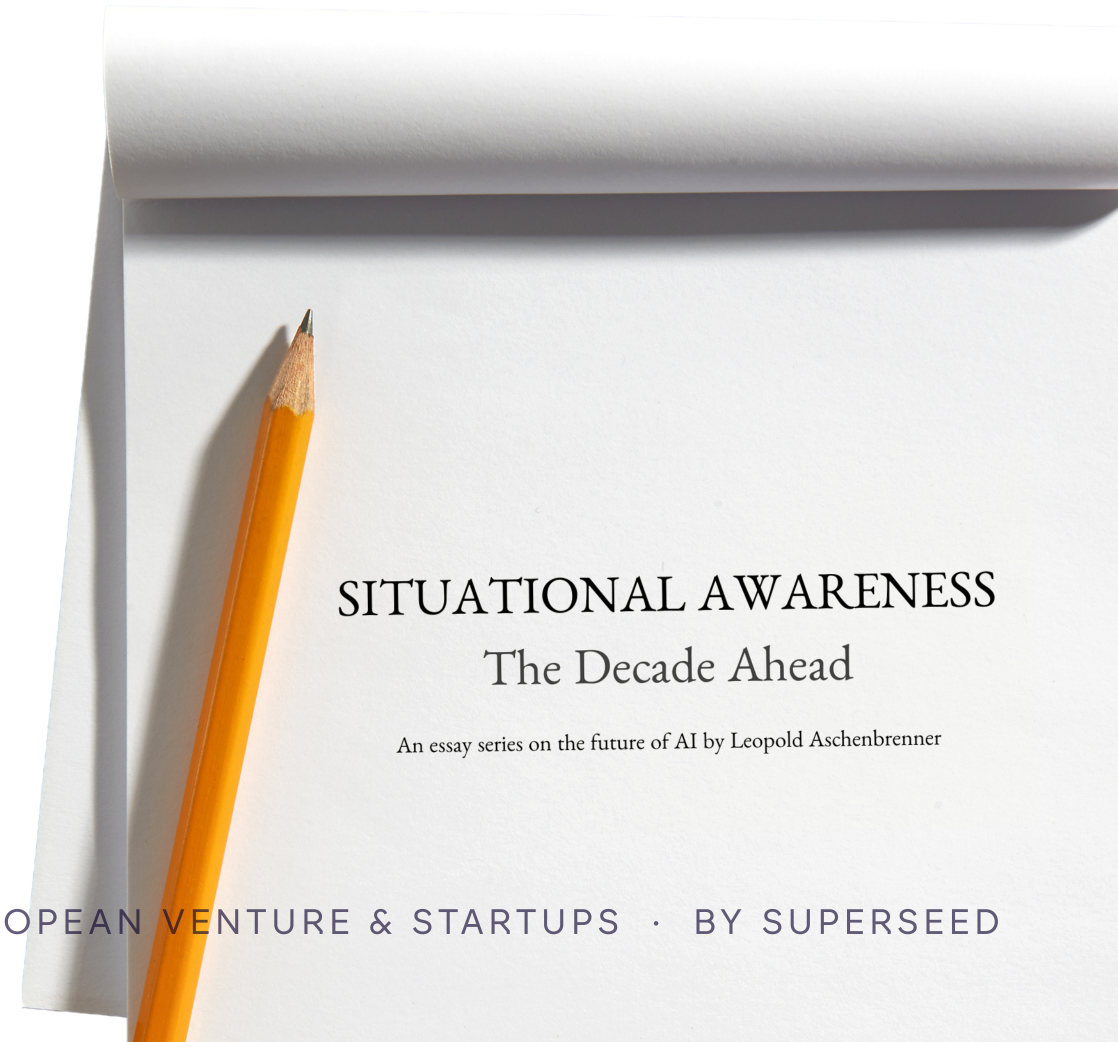
A 24 year old wrote an essay. It became a $1.45 billion hedge fund. Then it fell apart in a week.

The Situational Awareness story, and what it says about the state of the AI trade.

THE SETUP

From a viral essay *to Silicon Valley royalty backing a fund.*

A 24 year old German researcher, ex OpenAI, published a 165 page essay in 2024 arguing AI was entering a super cycle. He raised a hedge fund on the back of it. The Collison brothers and other Silicon Valley heavyweights seeded him. No prior investing experience required.



THE RUN

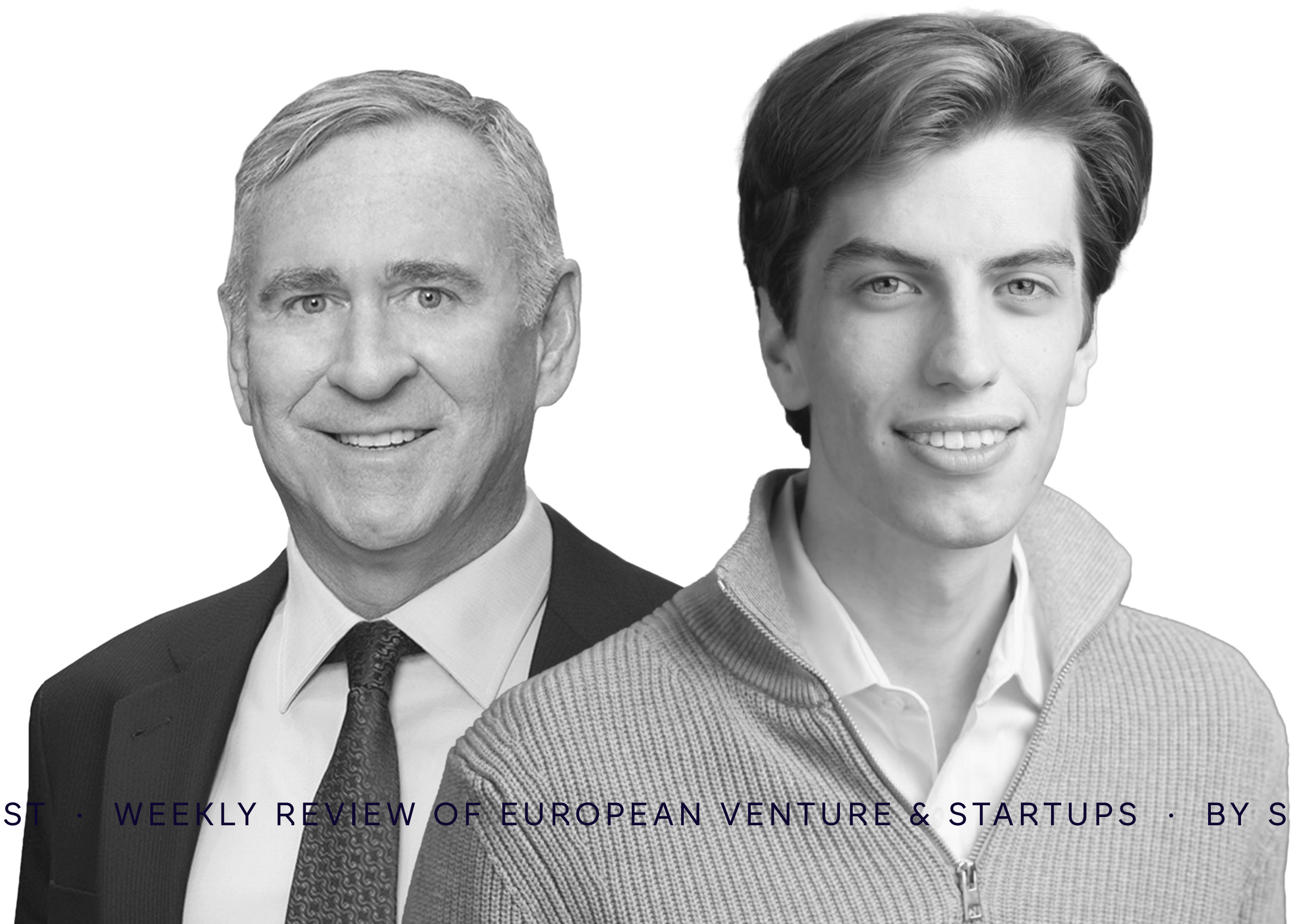
Up over 400% *by June.*

Assets under management grew to $1.45 billion. The strategy was highly leveraged long bets on AI infrastructure stocks, short traditional SaaS. Through the first half of the year it worked. He was up more than 400%.

THE UNWIND

Memory stocks wobbled. *The leverage did the rest.*

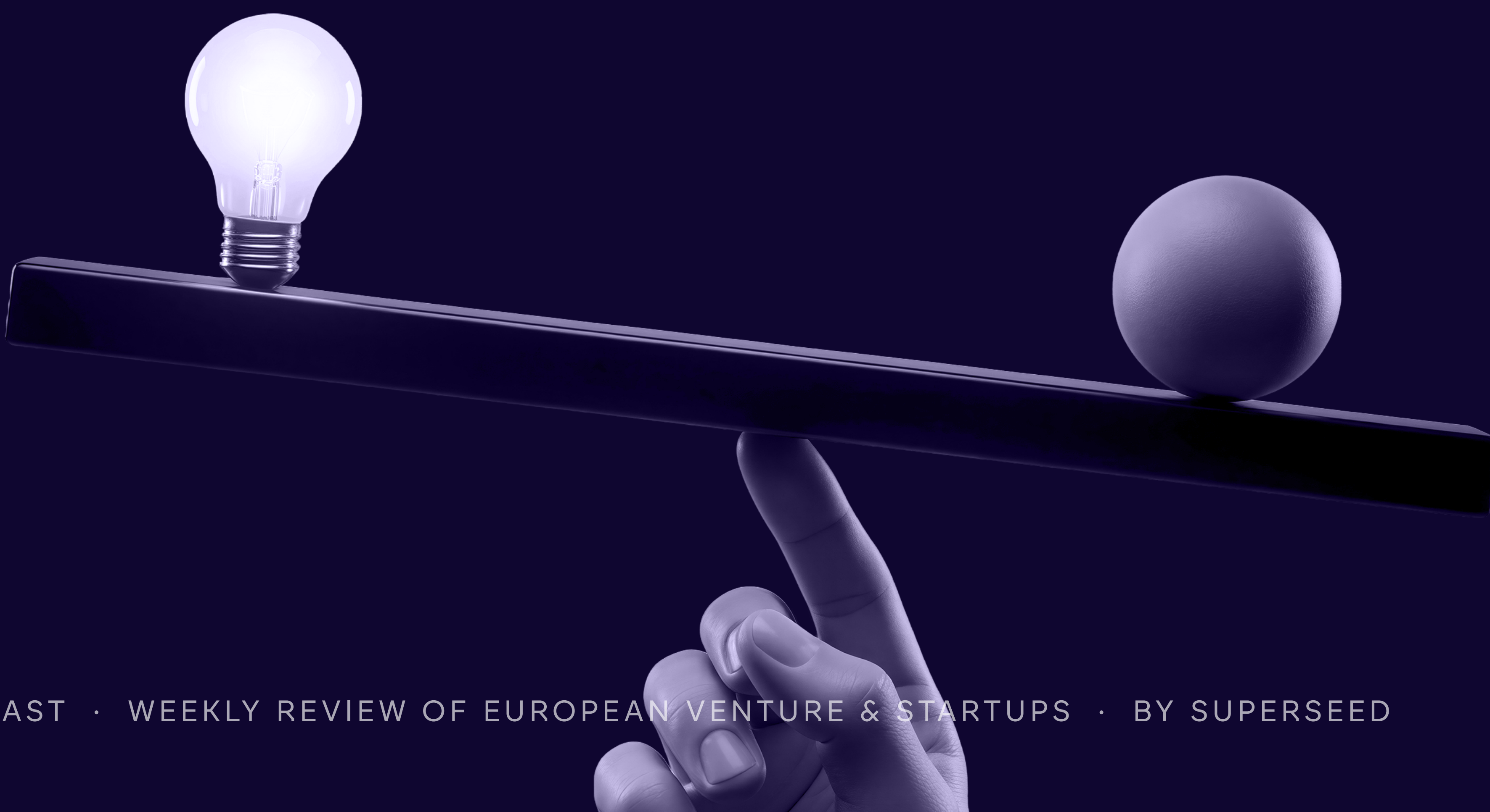
As memory names came under pressure, the highly geared positions moved just as fast in the other direction. **Citadel stepped in and bought the book**, reportedly at a very favourable price for them



THE TAKEAWAY

Leverage *cuts both ways.*

Being right about a trend and being right about the timing and sizing of a trade are two different things. This isn't a story about whether AI infrastructure is a good long term bet. It's a story about what happens when conviction gets over-levered against short term volatility



CLOSER

One of the wildest weeks *in the AI trade so far.*

Full episode out now ↓

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