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Why investors need to stay wary of 'sure-shot' multi-year themes

Devina Mehra | 26 February 2026

Most of what are sold as multi-year investment themes could be transformational technologies but the question is whether they make for the best investments.

SUMMARY

Remember the ESG theme? It has all but vanished. Now AI is being held up as the latest multi-year investment theme. But the truth is that a technology can be revolutionary without delivering winners. What we saw with railroads and the internet could happen in AI too.

When talking of investments and the ideal portfolio, I speak about asset allocation, diversification across countries, sectors and so on. But that sounds too boring and everyone wants the lowdown on multi-year investment themes to play. Many seem convinced I am hiding it from them and probably sharing it only with a chosen few. The all-time favourite question from professional interviewers as well as common investors is: Which is the theme you can recommend that will do well for the next few years, one that you can buy and forget?

By now, you will hardly find an expert who will admit to having hyped ESG as a long-term theme not so long ago. They might genuinely have forgotten this. The human mind has a great capacity to rewrite history to make itself look good. This is called 'the hindsight bias.'

From election results to stock prices, once the move happens or results are declared, we genuinely believe that we had predicted the right outcome all along! The moral of the story? Nobody knows what happens in the long-term because there are just too many variables and uncertainties involved.

Nevertheless, the lure of the pied piper remains strong. Towards the end of the last century, the story was about ‘dotcoms,’ as they were called. The world was moving online and those that grabbed eyeballs (which was the metric of the year) could later harvest that attention for money—at least that was the theory.

Yes, that era did throw up an Amazon or eBay, but over 95% of those companies didn’t live to see the monetization of the net or the ubiquity of online shopping.

Then in the next phase, we said that we did not know which of these end businesses would succeed. But since the internet was going to take over the world, at least those literally laying the pipes for it were a sure-shot bet (yes, that phrase again). The pipes, or rather undersea cables, laid in the early part of the century still carry the internet, but one of the major companies that laid them, Global Crossing, went bankrupt over two decades ago.

The four mega listed AI-oriented companies—Amazon, Microsoft, Meta and Google—are projecting a capital expenditure of $650-700 billion in 2026. For context, their combined capex was about $150 million in 2023. Actual investments may be even higher as some of them are getting smaller companies to set up data centres and are merely leasing capacity from them.

There is basically a crazy amount of money going into setting up AI infrastructure. The question is whether this capital will ever make an economic return on capital. Will users ever pay enough to justify these investments?

Nor is this craze for an investment story a recent phenomena. Pick up any economic history book on bubbles and you can read about many. Like the rail road mania. Remember that half truths are surprisingly more dangerous than complete lies. So most of what are sold as multi-year investment themes could well be transformational technologies—that held for railroads, just as it did for the internet. The question is whether they make for the best investments.

In the case of new technologies and themes, we do not know if something will succeed, how long it will take to succeed even if it does, which players would succeed, and even if these players make a mark in that field, if they will ever make adequate returns for investors.

Stories are good for your mental health, making your body secrete good hormones and chemicals, but not for your portfolio. Don’t ask experts for crystal balls and magic wands. Because they exist only in the realm of fairy tales.

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