

AI to drive new economic paradigm and new era of investing

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For this month, I have decided to interview myself. It will be fun!

Interviewer: Hi, Alfred. How did you get started in the industry?

Alfred: I found investing fascinating, and I still do. Without working at a company, we can be a part owner of a company (or multiple companies), participating in their growth through owning shares. I started investing when I was 15 and always dreamed of being an investment manager. The dream came true in 2008 (I was 33) after working for eight years in the industry and having an education in economics and finance.

Interviewer: What is the biggest change in the industry from 25 years ago when you first started?

Alfred: It has to be the speed of information flow. When I started, people were still mailing or faxing documents. Now, information flows so quickly. From the writer's hand to your desk, it only takes seconds to transmit. In addition, information is free and readily available through Bloomberg terminals, news on the internet, TV, etc. We have had an information overload, not shortage! While everyone may have the same information, not everyone will have the same conclusion. It is a competition to decide what the new information means to share prices.

Interviewer: So, the "game" has changed?

Alfred: Absolutely. You need to be right and fast. It used to be about taking your time and "just" being right.

Interviewer: Do you still enjoy investing?

Alfred: Very much. Every day someone out there is trying to innovate and be better. We have the job to find them and invest our capital. It just never gets boring.

I have said many times, I have not seen a mega-trend as meaningful as artificial intelligence (AI). It will likely have bigger impacts on our lifestyle than what were brought by previous trends: the personal computer in the '80s, internet and smart phones in the millennium. Since we are at the beginning, the investment opportunity is

enormous and you have already seen very solid earnings growth of some of the companies, such as Nvidia, which created GPUs to enable the “AI dream”.

Interviewer: Speaking of AI, are you concerned it will replace people?

Alfred: One of the benefits of AI is productivity. With higher productivity, the standard of living should be enhanced. Obviously, there will be losses, but the economy will always rebalance and new jobs will be created. Our grandparents used to work seven days a week, we are now working five days, and I can see by the end of the decade we may work three to four days. In addition, machines/AI are also a solution to our aging population.

Interviewer: When will robots be part of our lives?

Alfred: They are already here. Not every robot has arms and legs. If you drive a Tesla, there is already a robot sitting next to you—they have no legs, no arms, but brains and eyes through information gathering and analysis at data centers and the cameras. These robots have been trained to drive by watching millions of humans driving. They have data of driving situations that you and I will probably never experience. We are very close to driverless transportation.

Interviewer: What is the main implication for investing?

Alfred: Looking in the past for cues to predict the future has become very dangerous. For example, if a company can consistently surprise with earnings growth on the upside, it will be consistently undervalued but appeared overvalued. You will ask, “how can they surprise investors?” Well, by creating stuff that we had never imagined.

Interviewer: Do you have advice for our audience?

Alfred: If you are concerned robots will “eat your lunch” the right response is to own robots. As I have mentioned, investing allows you to become a part owner of a business. We work to pay for our expenses, but we should also allocate more than ever to investing as that component helps us to achieve financial freedom and effectively “hedge” our losses against competing with robots.

You also need to be mindful that these investments will be volatile once in a while as expectations will exceed reality, and vice versa. Let someone else deal with the excitement and disappointment for you.

Interviewer: Before we let you go, can you comment on the U.S. election and in particular the return of Trump as U.S. President?

Alfred: It is generally a win for everyone that a new U.S. president was announced within the same day as the election and with no violence. Looking at details, Trump will bring changes: tariffs on imports, lower income tax for Americans and American companies. They will likely mean marginally higher real economic growth, higher inflation, higher nominal corporate earnings, and higher share prices. To defend against Trump’s trade policies with the rest of the world, we may see a “reluctant” and synchronized fiscal stimulus from all its trading partners; it will likely start with China.

Interviewer: Thank you for your insights and we wish you continued success.

Alfred: Thank you!

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2. Microsoft Corporation	7. Schneider Electric SE	12. London Stock Exchange Group plc
3. Constellation Energy Corporation	8. Taiwan Semiconductor Manufacturing Co., Ltd.	13. Broadcom Inc.
4. Amazon.com, Inc.	9. SAP SE	14. Meta Platforms Inc Class A
5. GE Vernova Inc.	10. ServiceNow, Inc.	15. Alcon AG



For more information, we encourage you to speak to your advisor or visit us at assante.com

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